

BUDGET HIGHLIGHTS

Tax allowances above inflation

The Chancellor increased tax allowances by more than inflation. The single person's allowance is raised by £200 to £2,205 and a married man's allowance by £300 to £3,455. Other allowances are also raised. A single person is expected to pay £1.15 a week less tax and a married man £1.73 on standard rate.

Output set to rise by further 3.5%

Output in 1985 as a whole was set to rise by a further 3½ per cent. Inflation may jump for a time "perhaps to 6 per cent" by the middle of the year, but would then fall back to 5 per cent by the end of the year and would be "lower still" in 1986.

Capital gains tax reformed

A three-pronged reform of capital gains tax will cost £155 million in a full year. Part of the reform involves the abolition of the "12-month rule" on indexation relief from April 6.

Help for the self-employed

The self-employed will be able to offset half their National Insurance contributions against tax from April 6. From October 1, the flat rate for self-employed will be cut from £4.75 to £3.50.

Credit cards exemption

From May 1, transactions between credit card companies and outlets accepting them will be classified as exempt from VAT, so companies will not be able to recover VAT for these transactions, raising £15 million in 1985-86 and £20 million in a full year.

Drinks to cost more

Beer is expected to go up 1½p a pint, table wine 6p a bottle, sparkling wine 10p a bottle and cider 1p a pint. Duty on all has been raised by more than the inflation rate. But the problems of the Scotch whisky industry persuaded the Chancellor to put up duty on spirits by only 10p a bottle, much less than inflation.

Cigarettes to go up by 6p

Cigarettes are to go up by 6p a packet of 20 from midnight on Thursday, but there is no increase on cigars and pipe tobacco.

15 stamp duties go

The number of documents needing to be stamped will be reduced by 40 per cent as 15 separate stamp duties are abolished in an attempt to modernize the system.

BES changes

The Business Expansion Scheme, designed to encourage investment by individuals in new business in risk areas, will include research and development companies but exclude property development ventures.

Strategy holds

The Medium Term Financial Strategy is on course and short-term interest rates would be held at the level needed to maintain the Government's commitment to low inflation.

Separate tax

A consultative Green Paper on the reform of personal income tax is to be issued this year, proposing that husbands and wives claim their allowances separately.

Pension funds

Mr Lawson said he had no plans to change taxation on pension funds despite pre-Budget reports and agitation.

NCB strike bill

The National Coal Board lost at least £1,850 million because of the miners' strike. Mr Peter Walker, Secretary of State for Energy, told the Commons. The aftermath would cause further losses in the coming financial year.

And next year...

The Chancellor made net tax concessions of only £750 million, half of what he had predicted in November. But he is expecting to be able to give away up to £3,500 million next year, according to calculations published by the Treasury.

Road licence up to £100

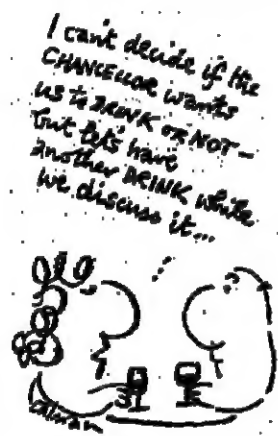
The annual road fund licence for cars and light vehicles would be increased from £90 to £100. A new system of road taxation for heavy lorries was to be introduced. Changes in vehicle taxation would bring in an extra £820 million in the year '85 to '86.

YTS scheme to be widened

The Government is to promote a "substantial expansion" of the Youth Training Scheme to provide either a job or training for all under 18-year-olds.

VAT base pegged

Mr Lawson said he did not intend to make any further changes in the VAT base during the lifetime of this Parliament - except for the imposition of VAT on newspaper and magazine advertising from May 1.



Development land tax

Development land tax is abolished with immediate effect. Deferred charges on the tax will also be cancelled.

Wage councils changes

A consultative document on the future of wage councils will be issued later this week to cover a number of proposals for "radical change", including complete abolition.

Jobless aid

The community programme, providing 130,000 places for the long-term unemployed, is to be extended to another 120,000 places by June next year at a cost of £140 million this year and £460 million in 1986-87.

Petrol up 4p

Petrol tax increased from 6pm last night with 4p on a gallon at the pumps and the corresponding increase for diesel 3½p.



Reserves rise

Contingency reserves for public spending to be increased by about £2 billion for each of the next three years, an increase of about 1-1½ per cent.

Tory MPs wanted the Chancellor to spend more

Budget will be judged by effect on jobs

By Julian Haviland, Political Editor

The Chancellor of the Exchequer did just about enough yesterday to keep his supporters happy, given his well recognized difficulties this spring.

"I was extremely boxed in and confined, and I had to find ways of doing as much good as I could both on the inflation and on the jobs front", Mr Nigel Lawson said at a press conference at Westminster an hour after his speech.

But Conservative MPs will want with considerable nervousness to see the yield in jobs from the tax and national insurance changes, and the removal of legal restraints on employment, and to see whether the benefits begin to appear before the next general election is due.

The first backbench Conservative to enter the debate when Mr Lawson sat down was Mr David Knox, so far out on the party's liberal wing as to be far from representative. But he spoke for all his fellow Tories when he said sternly that the Budget would be judged on its effect on employment, and rightly so.

Most Conservatives would have liked the Chancellor to have spent more, and most seemed to believe last night that he could have done so without offending the markets or risking his medium-term strategy.

They recognized that Mr Neil Kinnock, leader of the Opposition, made a potent political point in the Commons when he asked why the Chancellor could find £2,000 million to fight the miners but not to fight unemployment.

One senior Conservative said the Budget speech was "a buster" until the last five minutes, when the tapering of National Insurance contributions for those at the lower end of the earnings scale, and the graduated scale, was announced.

It is a change for which there has been great pressure within the party. Ministers' private

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estimate is that it may stimulate the creation of about 200,000 new jobs over time.

Mr Kinnock, as Mr Lawson pointed out later, fully endorsed that reform when he said in the Commons that it was a pity Mr Lawson had taken so long to make the move. "Who knows how many jobs could have been saved", he asked, "if successive Chancellors had taken the opportunity of reducing contributions?"

But Mr Kinnock's general verdict was severe. The country had seen a remorseless increase in unemployment, he said, and on that basis the Budget was a failure.

He also described as ominous the Government's intention to withdraw entitlement from young people who refuse places on the expanded youth training scheme.

Some Conservatives noted

with approval the raising of some excise duties by more than the rate of inflation so as to help pay for income tax cuts.

The Chancellor's decision to raise the basic income tax allowances by more than the higher-rate thresholds and bands was taken by the employment lobby in the Conservative Party as showing welcome responsiveness to the widely urged view that the worst-off should be helped the most.

But the predominant Tory feeling was one of relief that Mr Lawson had resisted making the several changes he had been rumoured to have in mind: the taxation of pensions and pension funds and the spread of value-added tax to books or children's shoes. No one appeared to object to its extension to newspaper advertising.

One Tory, Mr Jonathan Aitken, said they were "pleased about the dogs that did not bark in the night".

Asked why he had held his hand and had ruled out further changes in VAT, Mr Lawson told journalists last night that he had taken the view that it was not worth the complication of going down either route at present.

There are very strong feelings about pensions in this country", he said, "and also considerable complexities in pension legislation."

These feelings might not be the sign of a dynamic society, he said, but it was only fair the might have added politically prudent) to take them into account.

£900m more for job projects

By David Felton, Labour Correspondent

The Government has earmarked an extra £1,000m to extend special employment programmes over the next three years in the drive to improve training opportunities for the young and long-term unemployed.

The Youth Training Scheme, which at the moment provides a year's vocational training for 350,000 unemployed school leavers is to be extended to a second year for 16-year-olds and will guarantee a place for unemployed 17-year-olds. In total 200,000 extra places are being provided.

Mr Tom King, Secretary of State for Employment, said last night that the Government's decision to extend YTS was a "major step" towards ensuring that all young people under 18 would be in full time employment, education or receiving good quality training. The YTS, which will this year cost £800m, had a mixed reception when it was launched two years ago but has since won over some critics in the unions and among youth organizations. The extension to a two-year programme for 16-year-olds will start in April next year, and there will be transitional arrangements to allow as many as possible of the youngsters on the scheme this year to move on to a second year of training in 1986.

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Chancellor acts to restore his image

By Kenneth Fleet and Sarah Hogg

As the pound rose to pre-crisis levels, hitting \$1.16 in New York, the Chancellor of the Exchequer introduced a Budget firmly designed to restore his financial reputation. A fall in bank base rates is now expected.

While the defeat of inflation through sound money remained the Government's overriding objective, it was no longer enough. "We must also do what we can to combat the scourge of unemployment," the Chancellor told the Commons in his Budget statement yesterday.

The promised "Budget for Jobs" includes a wide range of specific measures, notably changes in national insurance contributions and higher income tax allowances to benefit the lower paid. At the same time, the Chancellor has sought to rebuild his reputation in the City for financial rectitude.

By avoiding new impositions - pensions are untouched and the only strong extension of value added tax is to newspaper and magazine advertising - the Chancellor has deliberately not offended the susceptibilities or frayed the nerves of his own party. Mr Nigel Lawson promised that European community requirements, apart, he would make no further changes in VAT during the life of this Parliament.

The one slight exception to a benign Budget is increases in excise duties on beer, table wine and cigarettes. Those are

Initial City reaction to the Budget was muted, though broadly favourable. The pound had risen strongly against the dollar in the morning, reaching \$1.1450 against \$1.1044 at Monday's London close.

After Mr Lawson sat down, the pound surged further ahead in New York. By mid-afternoon in New York, the dollar had plunged to \$1.1655 to the pound.

In London, the key three months inter-bank interest rate dropped to 13½-13¾, almost enough to trigger a one point cut in base rates.

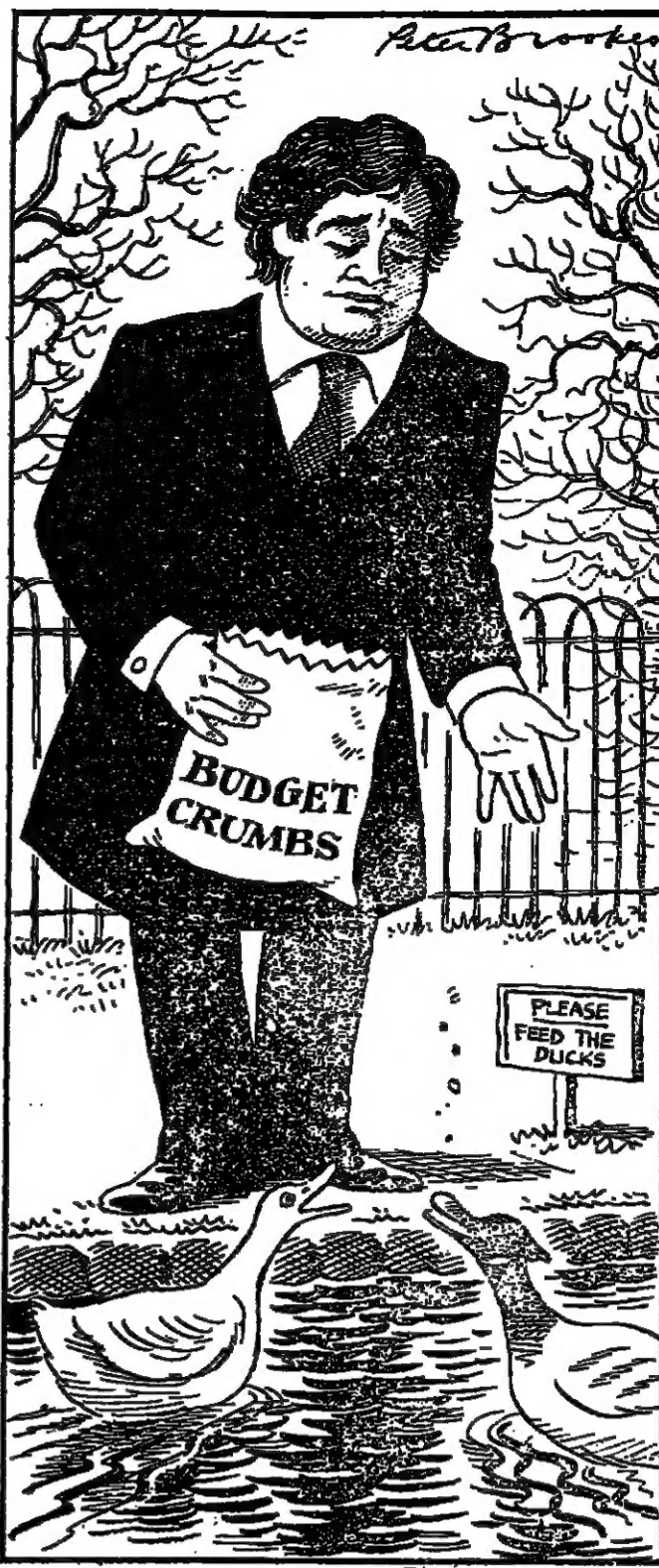
between one and a half and twice last year's 4.6 per cent inflation rate, putting an extra 1½p on a pint of beer, 6p on a bottle of wine and 6p on a packet of 20 cigarettes.

To help the ailing Scotch whisky industry, duty on spirits is increased by 10p a bottle, which is less than half last year's inflation.

Duty on petrol is raised about 4p a gallon, taking it decisively through the £2 mark at the pump, and on duty, 3½p. Vehicle excise duty is raised £10 to £100 and heavy commercial vehicles will incur stiffer duty.

The most significant proposals is a cut in national insurance contributions paid by the lower paid and by employers on their behalf. In total the cost of employing some

Continued on page 9, col 1



Income tax cut by rise in allowances

By David Smith, Economics Correspondent

The Chancellor again chose to cut income tax by raising allowances rather than by cutting rates. Basic tax allowances were raised by roughly 10 per cent, twice that required to compensate for inflation.

The tax change is worth £730 million in 1985/86 and takes 800,000 people out of tax, the Chancellor said.

Mr Lawson also promised a Green Paper on personal taxation later this year. The aim will be to simplify income tax. One change that the Treasury will be pressing is the separate taxation of husbands and wives. However, any action on that is unlikely before 1990.

The single person's allowance was raised by £200, from £2,005 to £2,205. That is worth £1.15 a week to a single person paying tax at the basic rate.

The married man's allowance was raised from £3,155 to £3,455, a £300 increase. Other basic allowances, including the age allowance and the widow's bereavement allowance, were raised by between 7.6 per cent and 8.7 per cent.

The income tax cuts were concentrated on basic allowances; the thresholds of the higher rate were raised by only a little more than inflation. The top-rate threshold, at which 60 per cent income tax starts, was raised from £38,100 to £40,200.

The aim is to alleviate the so-called poverty and unemployment traps, which occur because of high marginal rates of tax at the lower end of the income scale. When combined with loss of benefit, they can provide big distortions.

The increases mean that, in real terms, allowances are 20 per cent higher than when the Government took office, Mr Lawson said.

MARRIED COUPLES - INCOME ALL EARNED - ANNUAL FIGURES

Income	Charge for 1984-85		Proposed charge for 1985-86		Reduction in tax after proposed change	
	Income tax	Percentage of total income taken in tax	Income tax	Percentage of total income taken in tax	Income tax	As percentage of total income
£	£	%	£	%	£	%
3,500	103	3.0	13	0.4	90	2.6
4,000	253	6.3	163	4.1	90	2.3
5,000	553	11.1	453	9.3	90	1.8
6,000	853	14.2	753	12.7	90	1.5
7,000	1,153	16.5	1,053	15.2	90	1.3
8,000	1,453	18.2	1,353	17.0	90	1.1
9,000	1,753	19.5	1,653	18.5	90	1.0
10,000	2,053	20.5	1,953	19.6	90	0.9
12,000	2,653	22.1	2,553	21.4	90	0.8
14,000	3,253	23.2	3,153	22.6	90	0.6
16,000	3,853	24.1	3,753	23.5	90	0.5
18,000	4,453	24.7	4,353	24.2	90	0.5
20,000	5,053	25.0	4,953	25.0	90	1.0
25,000	7,300	29.5	7,115	28.5	285	1.1
30,000	9,817	32.7	9,472	31.6	345	1.2
40,000	15,130	37.8	14,685	36.7	445	1.1
50,000	21,067	42.1	20,502	41.0	565	1.1

Calculations assume that only the husband has earned income.

VAT levied on newspaper advertising

David Smith, Economics Correspondent

Value added tax will not be imposed on food, children's clothing or books during the lifetime of this Parliament, the Chancellor promised yesterday.

Mr Nigel Lawson's long-awaited widening of the VAT net was modest, newspaper and magazine advertising was brought into VAT, in line with other types of advertising.

That will raise an extra £30 million in 1985/86, and £50 million when the tax applies for a full year. It is to be introduced on May 1.



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Opec unity threatened by Algeria

The Organization of Petroleum Exporting Countries (Opec) which is reviewing Britain's decision to abandon setting an official price for North Sea oil is now faced with a new split within its ranks.

Algeria yesterday announced that it is cutting the price of its crude oil by a dollar a barrel and Ecuador is refusing to open its books to the new Opec auditing commission monitoring prices and output.

Algeria, which refused to endorse the new Opec price structure in January, sells about 25 per cent of its oil output as crude.

Ecuador has said that it will provide details of its oil pricing policies, but will not allow independent monitoring.

The Opec President, Dr Subroto, the Indonesian Oil Minister, said yesterday in Geneva that the abolition of the British National Oil Corporation would have no short-term effect.

£11m loss by BL

BL, the state-owned car group, dipped back into the red last year with an operating loss of £11.7 million against its £4.1 million profit in 1983. After tax and interest, the loss was £81 million.

Kremlin seek May summit

The Kremlin seeks the May celebration marking the 40th anniversary of the victory over Hitler as ideal timing for a US-Soviet Summit, according to Soviet sources. Mr Mikhail Gorbachev is already being referred to as head of the Politburo, only eight days after becoming Communist Party General Secretary.

£10m jobs boost

Sally Line, the ferry company based at Ramsgate, Kent, announced yesterday a £10 million plan to increase its number of berths from two to six creating 1,000 jobs.

ICI chief's pay rises by 68%

Mr John Harvey-Jones, the chairman of ICI, had his pay increased last year by 68 per cent, a rise of £2,330 a week. His total pay went up from £170,999 to £287,261.

The other seven executive directors of the company - the first non-oil company to make profits of more than £1 billion in a year - also had substantial rises, it was disclosed yesterday in the annual report.

The dramatic improvement in ICI's results last year, with pretax profits jumping from £619 million to £1,034 billion, has helped push the directors' salary bill up from just under £1.2 million to just over £1.7 million. All eight of the company's executive directors earn more than £175,000 a year.

The scale of the increases was defended by Mr Harvey-Jones, one of the more flamboyant of Britain's industrial leaders. "It is not for us to say if we are worth what we are paid," he said.

Portfolio

The Times Portfolio competition prize of £2,000 was won yesterday by Mr G Nelson of Rochdale, Lancs. Portfolio list, page 20; how to play, information service, back page.

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Letters: On Howe speech, from Prof Sir Ronald Mason, FRS, and others; Heath speech, from Sir Kenneth Lewis, MP
French elections: The Budget; A-test hearings
Features, pages 14-16
Sarah Hogg on the Budget; Lebanon; Miles Kingston's Morocco; Tapping the Arctic's oil wealth: Is this the age of the older woman?

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Key staff losses harm running of councils to be abolished

By Hugh Clayton, Local Government Correspondent

A steady loss of key workers is threatening the smooth running of the seven large councils that the Government intends to abolish in just over a year. The quango set up to look after the job prospects of those councils' workers has called for exceptional measures to safeguard services in the coming final year.

It says that councils may have to make temporary promotions to cover for the absence of senior personnel. They may also have to persuade some of their oldest workers to stay on after normal retirement age.

The London and Metropolitan Government Staff Commission has failed to find out how many staff have already left the seven councils. Some of the answers were given to *The Times* yesterday. No overall figure was available from South Yorkshire County Council but West Midlands County Council said it already had 350 vacancies, representing almost 9 per cent of its white-collar establishment.

The Greater London Council has a total establishment of 24,365, including the London Fire Brigade and 1,801 unfilled posts. Merseyside County Council has lost 250 staff, or about 4 per cent of its total workforce. The other Labour-led county councils that the Government wants to scrap are Tyne and Wear, West Yorkshire, and Greater Manchester.

All seven councils, almost all local government unions and the Labour-led councils which are supposed to take on new responsibilities after abolition have refused to discuss abolition of the quango. They and

Labour-led associations of councils believe that talking to the quango would amount to tacit acceptance of abolition.

Sir Philip Woodfield, chairman of the quango, appealed yesterday to organizations boycotting it to distinguish between "fighting the proposed reorganization and making contingency plans". He was speaking after members of the National and Local Government Officers' Association (NALGO) from the West Midlands had gone against their union's policy by meeting the commission about job prospects after abolition.

The staff being lost are professionals with "marketable skills" who can readily find work elsewhere, so there may be an awkward gap later in the year when successor authorities start recruiting staff from the seven councils threatened with abolition.

Several of the rate-capped councils which have refused to fix rates until the Government dismantles their spending curbs are to meet next week. The meetings of councils such as the London boroughs of Lambeth and Camden have been called by opposition Conservative councillors.

Ruling Labour councillors have been warned that they will face rapid loss of grant and legal action if they do not fix rates early in the financial year, which begins in April. A cash crisis is likely to be reached first in the London borough of Hackney.

Meanwhile, other Labour-led councils continue to impose rate rises well above the rate of inflation. They include Wolverhampton with a 13 per cent rise

Pit strike riot cases broke records

By Frances Gibb

A record number of charges of the most serious public order offences of riot and unlawful assembly were brought during the year-long miners' dispute, according to final figures published by Lord Elton, Minister of the State at the Home Office, yesterday.

A total of 137 charges of riot and 509 of unlawful assembly were brought. The biggest category of offence was conduct likely to lead to a breach of the peace, under which 4,107 charges were brought.

The 10,372 criminal charges brought during the dispute were: Murder 3; Assault causing grievous bodily harm 39; Assault causing actual bodily harm 429; Assaulting a police constable 360; Possessing an offensive weapon 49; Riot 137; Unlawful assembly 509; Affray 21; Conduct conducive to a breach of the peace (Section 5 Public Order Act 1936) 4,107; Breach of the peace 10,372.

Criminal damage 1,019; Unlawful damage with intent to endanger life 4; Arson 15; Burglary 31; Theft 352; Handling stolen property 1; Obstruction of a police constable 1,682; Assault with intent to resist arrest 19; Breach of bail conditions 32; Obstruction of the highway 640; Reckless driving 16; Threats to kill 5; Threats/conspiracy to cause damage 13; Attempt (various offences) 18; Intention 1; Intimidation (Section 7 of the Conspiracy and Protection of Property Act 1875) 275; Unlawful imprisonment 2; Explosives offences 3; Drug offences 1; Railway offences 20; Drunkenness 66.

Seven pit strike rebels who returned to work at Yorkshire's most militant pit claim that requests to be transferred or made redundant were being ignored by the National Coal Board, overturning promises to protect all working miners from intimidation.

The rebels who were among the first to return to Markham Main colliery at Armthorpe, have been told they can work on the surface of the pit but the move would cost them £70 a week in wages.



Mr Geoffrey Richmond holding a commemorative medal he designed for Bomber Command or their next of kin after Lady Harris, widow of Sir Arthur "Bomber" Harris, started the machinery striking at Pobjoy Mint, Sutton, Surrey, yesterday (Photograph: Stephen Blogg).

Teachers' image hurt by strike

By Lucy Hodges, Education Correspondent

Teachers do their image irreparable harm by going on strike, Lady Warnock, Mistress of Girton College, Cambridge, will say in the Dimbleby Lecture.

They put themselves on a level with other wage-earners - miners, car-workers, and those whose jobs are concerned with producing goods, and are almost bound to make an enemy of parents.

Lady Warnock's lecture, to be shown on BBC television on Friday night, coincides with indefinite selective strike action in schools, organized by the two biggest teachers' unions in support of a claim for a flat-rate £1,200 rise.

Teachers themselves must learn that it is not a blanket pay rise they need, but a proper salary structure within both the primary and the secondary sector, says Lady Warnock, a

former headmistress of Oxford High School.

"It will be a terrible blow to the prestige and standing of teachers if the National Union of Teachers insists on all teachers coming out on strike for a rise for everyone, and so blocks the way to a more radical but far more fruitful reform."

Arguing that parents have lost respect for teachers, she says they must acquire a new professionalism. They must reform themselves.

● They should set up a General Teaching Council to decide standards and strike off those who fall below them.

● Teachers should be trained by a new group of tutors, recruited from practising teachers, and this should be done in specially designated "teaching schools".

● Teachers' performance

should be assessed by the General Teaching Council.

● Salaries should be restructured to increase pay differentials so that it was worth teachers wanting to get to the top.

Lady Warnock, who has chaired two important committees, on human fertilization and education of the handicapped, argues one of the reasons for teachers losing parents' respect is that "parents may feel that their children are being indoctrinated with certain social and political beliefs which they, the parents, do not share."

There is continuing dissatisfaction of education and the morale of teachers is low.

"The trouble lies in the very heart of the school system, in the attitude towards education of those most closely involved, the teachers," she says.

Morale of teachers 'at low ebb'

By Richard Evans, Lobby Reporter

Chief education officers admitted yesterday that the morale of teachers is at a low ebb, not just because of their complaints about pay.

They are frustrated by lack of opportunities for promotion or for redeployment to other schools because of falling pupil rolls, and unjustified public criticism, the House of Commons education select committee was told.

The Society of Education Officers, which represents education chiefs in England, Wales and Northern Ireland, also implicitly criticized Sir Keith Joseph, Secretary of State of Education, for the "negative" way in which he had presented his plans for assessing annually the standard of teachers.

Mr Dennis Hatfield, chief education officer of Trafford, told MPs: "If the question of assessment could be approached from a positive angle rather than, as it seems to be, simply a device to sack people or to reduce numbers, that would contribute to an increase in morale."

Mr Peter Boulter, director of education in Cumbria, told the select committee: "The status within society as a whole of the teachers has taken rather a knock. I think their professional status and standing needs to be examined in the broadest way."

Soviet warning of trade reprisals

By Michael Bailly, Transport Editor

The Soviet Union may take retaliatory action against countries that discriminate against its ships, Mr George Maslov, head of Sovfracht, Russia's worldwide freight organization, said yesterday.

Retaliation might not be confined to shipping but could affect general trade between the USSR and other countries, he told world dry cargo shipowners in London.

Mr Maslov rejected Western charges that Soviet shipping was responsible either for the world shipping slump or for disruption in Western shipping trade. The Soviet merchant fleet, at 1810 ships of 19.8 million deadweight tonnes, was only 3 per cent of the world merchant fleet, and would probably reduce in size by 1990, after growing very slowly in recent years, he said.

The size and composition of the Soviet merchant fleet was dictated by the requirements of domestic traffic and the national share of world trade, of which Soviet shipping generally carried 45 to 50 per cent.

The Soviet Union believed in free competition in its foreign trade, and Western states that blamed it for disruptions and the shipping surplus should reflect that a controlling 76 per cent of the world's fleet was owned by them.

● New safety measures for passenger helicopters are recommended in a report which blames pilot error for the Isles of Scilly crash, nearly two years ago, in which 20 people died. Mr Malcolm Bruce, Liberal MP for Gordon said yesterday.

He hoped recommendations in the report, including an audible warning if the pilot flies too low, would be published next Thursday. Mr Bruce said that he had advance information of his findings.

"The main conclusion of the report is that the pilot, Mr Dominic Lawlor, who was operating visual and instrument on his approach, then went on to visual only, became disoriented, and descended into the water without realizing he was doing so."

The main recommendation is that there should be an audible height warning. The instrument should be moved to where it can be better seen by the pilot.

"If that had happened a warning sound would have told the pilot he was too low. He would then have seen what his height was and been able to pull up again."

Mr Bruce said that the report came 20 months after the disaster, when something could have been done only a few weeks afterwards.

Defence pension questioned

The Prime Minister is being asked to confirm that Mr Peter Levene, Whitehall's new £95,000 a year Chief of Defence Procurement, is to benefit from an extra £12,000 in pension contributions from the taxpayer (four Political Correspondent writes).

Mr Gordon Brown, Labour MP for Dunfermline East, yesterday tabled 12 Commons

questions about the appointment of Mr Levene, a highly successful defence contractor. Legal advice had shown that ministers were mistaken in believing that Mr Levene, aged 43, could be appointed without a certificate of qualification, the Civil Service Commissioners' formal approval of a candidate's suitability.

A special exemption was

sought and obtained. Mr Brown yesterday showed particular concern at the Prime Minister's statement that the initial mistake was due to Mr Levene being seconded to Whitehall. When Mr Michael Heseltine, Secretary of State for Defence, announced the appointment on December 19 he had failed to mention secondment.

Dame Vera Lynn to receive Burma Star

Dame Vera Lynn, who gained the title of the Forces' Sweetheart for her wartime singing, is to receive the Burma Star Medal.

The Ministry of Defence awards the medal to people who spent time in the Burma war zone, including civilians.

Dame Vera qualified by entertaining the British guerrilla units in Japanese-occupied Burma. She belonged to the Burma Entertainment Services Association, formed by Jack Hawkins, the actor.

Missing witness still stays silent over drugs

The daughter of the Lady Bute, Mrs Katherine Bentley, told Knightsbridge Crown Court yesterday of her past addiction to drugs. But the former model added: "I decline to say whether I bought the drugs on the grounds that I may incriminate myself."

She also refused to say whether she had used a cheque to buy drugs.

Mrs Bentley, aged 28, the former wife of Mr John Bentley, the City tycoon, failed to turn up to give evidence on Friday. She explained that she had moved and "had no idea I was a witness".

Earlier the court was told that two cheques drawn on Mrs Bentley's account were found in



Mrs Bentley: drug denial.

the possession of Mrs Diana Willis, aged 41, of Holland Park, west London, who denies four charges of supplying drugs on or before last June.

The hearing continues.

£8m government building is cracking up

By Anthony Bevins, Political Correspondent

The Department of the Environment, Mr Patrick Jenkin's £8 million headquarters in Westminster, is cracking up. Sir George Young, Parliamentary Under-Secretary at the department, has told Mr Jeff Rooker, the Opposition frontbencher, that "first-aid remedial action" had been undertaken for "concrete defects in the superstructure" of the 18-storey, three-block building.

Students keen to forge link with industry

By Lucy Hodges, Education Correspondent

University and polytechnic students are flocking to join student industrial societies to learn how industry works and to visit companies. (Our Education Correspondent writes).

There are now "Indosocs" in every university and many polytechnics. In some colleges they are the largest student society, outdoing both the Conservative Association and the Christian Union.

At Cambridge University, for

Students keen to forge link with industry

example, the "Indosoc" membership now exceeds 2,000, which is 200 more than the Conservative Association.

The first Indosoc was founded in the late 1970s at Cambridge, with backing from the Industrial Society in London. Mr Paul Hill, president of the Liverpool University Indosoc, said the purpose was to give members some experience of industry.

Drug evidence was 'taken improperly'

By Peter Evans, Home Affairs Correspondent

Pipes, inhalers and syringes, allegedly used for drug-taking, and weapons which were displayed at the House of Commons by the Prison Officers Association had been "improperly removed" from a youth custody centre, the Home Office said yesterday.

A letter from the Prison Department to Mr David Evans, general secretary of the association, said the devices were taken from Finsbury Wood Camp, Buckinghamshire, by two members of the association's national executive committee without the authority of the governor, Mr E. R. Campbell. They were shown to a press conference.

"There is no evidence to support the assertion that drug-taking is widespread and is the result of inmates being influenced by private gangs of bullies", Mr G. H. Lakes, deputy-general of the Prison Department said in the letter.

But the Prison Department does admit that since January 1, 1984, there had been 11 incidents associated with cannabis, involving 14 inmates.

Briton is back home after Angola ordeal

Mr Glen Dixon, the British mining engineer seized by rebel UNITA forces in Angola 10 weeks ago and forced to march 300 miles through jungle, arrived at Heathrow yesterday saying he would return to Africa "in a couple of months' time".

Mr Dixon, aged 47, from Loughborough, Leicestershire, was among 22 expatriates kidnapped by the guerrillas at the diamond-mining town of Cafunfo. They included two other Britons, Mr John McMichael, an engineer from Onagh, Northern Ireland, and Mr Paul Huggins, an aircraft load master from Dorking, Surrey, who are also being released without conditions.

Mr Dixon said he already had a choice of contracts to return to Zambia or Sierra Leone. He said that there next time he hoped to take his wife, Linda, with him.

The Times overseas selling prices: Australia \$20; Belgium 110; Canada \$27.75; Germany 110; France 110; Italy 110; Japan 110; Netherlands 110; Norway 110; Portugal 110; Spain 110; Sweden 110; Switzerland 110; USA \$1.70; Yugoslavia 110.

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The lessons of Sizewell: 3 Lost energy could heat homes

Of every three tons of coal, oil or uranium burnt in a power station, less than a ton reaches the consumer as electricity. But as the Sizewell public inquiry was told this need not be so. PEARCE WRIGHT, Science Editor, reports in the last of three articles.

There are many novel methods for generating electricity that are not exploited in Britain. They include power from the tides, waves, sun and wind. Some limited development of wind generators is in progress.

But in discussing renewable energy at the Sizewell public inquiry, the Central Electricity Generating Board lumped all the ideas under the heading "alternative methods of electricity generation". Much to the consternation of some experts, this category also included items such as combined heat and power (CHP) systems.

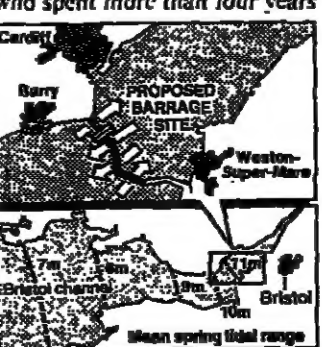
Two thirds of the coal, oil and nuclear fuel used to generate electricity is wasted in the form of heat discharged into the atmosphere and to warm the fish around the cooling water outflows from power stations. Yet there is a perfectly practical way of taking this heat and carrying it by a network of pipes to heat homes, offices and factories. It is common in Europe and the United States. The CEGB accepts that CHP is a proven technology.

The reason why it is not pursued by the CEGB is partly an attitude of mind. The board is committed to building large stations such as that planned for Sizewell.

There are economics of scale to be achieved that way, whereas the CHP approach achieves its efficiency, and up to 80 per cent of available energy is claimed to be exploited, in

smaller power plants closer to towns. In theory up to 30 per cent of the country's domestic and commercial heat could be supplied that way.

That is such a beguiling alternative, and especially attractive to the conservationist streak in all of us, that one feels there must be some catch. There is not. That conclusion was reached six years ago by a group of senior scientists, engineers and public servants who spent more than four years



Planned Bristol barrage

examining the idea. Led by Dr (now Sir) Walter Marshall, before he moved from the Atomic Energy Authority to become chairman of the Central Electricity Generating Board, they concluded there was every reason to go ahead with a CHP scheme for a sizeable British city. The capital cost for a population of one million would be about £500 million.

The CEGB's stance at the

Sizewell inquiry was that it was in the business of buying electricity generating plant that worked, not setting up a network for piping heat to consumers. Yet at the Sizewell inquiry the CEGB made clear that if some one else developed a CHP project, such as one proposed by the Greater London Council, the board would expect to be involved in running it.

A similar approach has been adopted toward a venture that could provide the single largest source of electricity generation: a tidal barrage across the river Severn. It would be equivalent to four or five stations the size of the one planned for Sizewell.

Again the board accepts that the technology is well established, but says: "There is not incentive for the CEGB to build it in preference to nuclear power stations. The technical feasibility is not in doubt. The Government has a proposal from a consortium of industrial firms, seeking its backing. The CEGB conveyed to the Government its views, namely that it would raise no objection to the barrage being designed, constructed and operated by private industry with private funds and that it would be prepared to accept the output from the barrage."

The consortium has been studying the sort of scheme suggested in the report on *Tidal Power from the Severn Estuary* made in 1981 by a group of experts working with Sir Herman Bondi. The most cost-effective one would cost about £5,600 million.

The Severn estuary is particularly suitable because of the large tidal range.

Concluded

The Royal Hospital and Home for Incurables and The Development Trust for the Young Disabled

The Royal Surgical Aid Society and the Development Trust for the Frail and Physically Disabled Elderly.

One-day Seminar for members of Governing Bodies and Senior Management

RESIDENTIAL CARE FOR THE OLD & YOUNG DISABLED: BUILDING, STAFFING & FUNDING.

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Sir Ronald Gibson, CBE DM DL

Speakers include:
John Agate, CBE MD FRCP, Vice-President, The British Geriatrics Society.
Jeffrey M. Graham, MB BChir, Senior Medical Officer, DHSS.
Professor Peter Millard, MB FRCP, Professor of Geriatric Medicine, St George's Hospital.
Air Cdre. D. E. Rixon, OBE DFC AFC FRM, Director, The Development Trust for the Young Disabled.
John Wedgwood, MD FRCP, Director of Medical and Research Services, RHHI, Member of the Board of Management, The Royal Surgical Aid Society.

DATE: THURSDAY, 23rd MAY 1985, REGISTRATION 9.30 am
VENUE: ALEXANDRA WING, THE ROYAL HOSPITAL & HOME FOR INCURABLES, WEST HILL, PUTNEY, LONDON SW15.
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Wartime RAF officer gets life for part in killing of Maze prison chief

A retired Civil Servant and wartime Royal Air Force officer who became a spy for the Provisional IRA, was yesterday jailed for life for the "vicious" terrorist murder in Belfast of a deputy governor of the Maze prison.

Lord Justice Kelly, passing sentence at Belfast Crown Court, said that Owen Connolly, aged 64, a former senior clerical officer at the Department of Agriculture, played a "prominent and despicable part" in setting up the prison officer for murder.

Connolly's wife, Margaret, aged 52, and daughter Carmel, aged 23, also received prison sentences for the "shameful part" in concealing the plot, using their east Belfast home as a base for the gang.

The murdered man's widow was in the public gallery as the prosecution outlined how Mr William McConnell, aged 35, was shot dead in front of her and their daughter, aged three, in what was described as one of the most vicious murders, even by the standards of Northern Ireland.

Connolly, who is permanently deaf in one ear after being injured during one of his 30 wartime bombing missions over Germany, admitted murdering Mr McConnell, who was

From Richard Ford, Belfast

shot outside his home in east Belfast a year ago. He pleaded guilty to six other terrorist charges, including possession of firearms, and collecting information on policemen and prison officers.

Margaret Connolly was given two prison sentences, of five years and four years, after admitting failing to disclose information about the killing, and impeding the arrest of the terrorists by washing wigs and jackets.

Carmel Connolly, a typist with the Department of Health and Social Security, was given a 12-month prison sentence, suspended for two years, after pleading guilty to failing to disclose information about the murder.

Jailing Connolly, the judge said that he had used his appearance of respectability as a cover to get information on the prison officer. He had kept an all-night watch at his home for the terrorists and "appeared to share in their satisfaction at the success of this sordid murder".

Connolly had given the gang every assistance, buying razors to shave off their moustaches, concealing weapons in the attic, getting food, and sitting with them to watch the harrowing television pictures of the aftermath of the killing.

He had led them from his house to help them escape and later returned the guns and wigs to his "terrorist confederates".

The judge said that Connolly, a Roman Catholic living less than a mile from the prison officer in a strongly Protestant area of Belfast, had developed a sense of grievance, believing religious discrimination had stopped his promotion in the Civil Service. His increasing bitterness led him to extreme republican groups, and to believe that violence was the only way to achieve a united Ireland where there would be justice for all.

He allowed his terrace house to be used as a "safe house" for the Provisional IRA for five years and as a dominating and strong-willed man brushed aside protests from his wife and daughter.

The prosecution said that his wife and daughter had been aware on the night before the killing that Mr McConnell was to be murdered.

Mr Michael Lavery, QC, for the defence, said they had all expressed regret and remorse at the death. The two women were now completely friendly.

Five other men have also been accused of the murder. A date for their trial has yet to be fixed.

Sinclair cuts back computer production

By Bill Johnstone
Technology Correspondent

Sir Clive Sinclair, the biggest supplier of home computers to the high street, has slowed production for the next month because of stocktaking, an indication that the home computer market may still be in serious trouble.

High street retailers were heavily stocked after Christmas because sales did not reach the level expected. Sinclair had a disastrous month in January because of low orders, and the company was forced to write-off £1 million after Christmas because the price of its Spectrum was reduced to £50.

After the publication of his nine-month figures for the period ending in December, Sir Clive conceded that he was holding stocks valued at £34 million, which included the flat-screen television launched 18 months ago and the microcomputers.

A Sinclair spokesman said: "We had intended to slow production at this stage. But slowing down and rescheduling has turned out to be greater than planned last year."

However, every single major retailing network has re-ordered since the price drop in February.

The nine-month pre-tax profit of Sinclair Research was £7.9 million but the bad sales in January may reduce that figure substantially. The company expects to be in profit at the end of its financial year, in April.

The company sold 50,000 of its QL microcomputers last year and believes it can sell four times that number this year. The QL will be one of three products, the others being the flat-screen television and a watch radio, to be launched in the United States this year.

No sales figures have been made available on the number of flat-screen televisions sold to date. They were first stocked by a few high street retailers just before Christmas.

In the past two weeks the Sinclair C5 electric vehicle has been on sale in the high street. Wiggins, Vallances, Supreme Stores, and Comet are among principal suppliers.

Most consider it too early to establish whether the vehicle will be a commercial success. Vallance, the Leeds-based retailers, report a strong interest from a holiday camp. Sinclair, which had been selling the vehicle by mail order, claims to have sold more than 5,000 by this method.



Royal recognition: PC Norman Thornborrow, aged 43, who has worked for the past 11 years protecting members of the Royal Family, after receiving the Royal Victorian Silver Medal from the Queen at Buckingham Palace yesterday. With him are his daughters Anna, aged 12 (left), and Cassie, aged 14.

JP's urged to consider tougher sentencing

By Frances Gibb
Legal Affairs Correspondent

Magistrates are being urged not to let penalties they impose for criminal offences slip behind the new tougher levels just agreed for road traffic offences.

Mr Geoffrey Norman, secretary of the Magistrates Association, said yesterday: "The public do complain that magistrates seem to be tough at the moment on motorists and not so tough on criminals and there has in the past been some measure of justification for that view".

Magistrates should ensure that they consider appropriate rises in penalties for offences such as assault, theft and criminal damage so that those penalties do not lag behind the new levels recommended for road traffic offences, he said.

The main factor behind the new recommended 15 to 20 per cent increase of fines for road traffic offences, was that last May maximum penalties for all offences were doubled. Mr Norman said.

For the first time magistrates are being urged to consider a custodial sentence for the offence of driving while disqualified.

The starting fine for drink-driving offences is recommended to rise from £120 to £200, with a wider use of short jail sentences.

Diet 'could end women's bad days'

By Patricia Clough

The misery of pre-menstrual tension (PMT), which has caused unhappiness for millions of women and their families, can be dispelled with a carefully-adjusted diet, a group of nutritionists have found.

Mrs Maryon Stewart, aged 31, a nutritionist whose Pre-Menstrual Tension Advisory Service has given postal and telephone advice to 1,600 sufferers during the past eight months, reported yesterday that the first results had been remarkable.

In a test sample of 25 women who started the three-month course in September, 21 said that previously severe symptoms such as irritability, depression, headaches and weight gain had practically disappeared. The others said they had benefited from the treatment.

Several women whose marriages had broken up because of the complaint were reunited with their husbands, Mrs Stewart said. "One husband said he had got back the girl he married."

According to one estimate, five million women in Britain suffer from PMT. The service, based in Hove, East Sussex, is under the medical guidance of her husband, Dr Alan Stewart, a nutritional physician and research officer of the British Society For Nutritional Medicine.

The diet, which hitherto was practised at only a few clinics in Britain, is tailored to individual needs, but sufferers are usually advised to cut down on tea, coffee, sugar, sweets and salt, to eat more green vegetables and wholefoods and to take supplementary vitamins and minerals.

The diet is based on the belief that PMT is caused by a hormonal imbalance; the oestrogen hormone which builds up in the body at the beginning of the cycle does not sink correctly in the second stage because women lack sufficient Vitamin B to process and eliminate it. With the right diet this can be corrected, the Stewarts say.

Pre-Menstrual Tension Advisory Service, PO Box 268, Hove, East Sussex, BN3 1RN.

NHS ban to include anti-smoking gum

By Nicholas Timmins, Social Services Correspondent

The Government has listed Nicorette, the anti-smoking chewing gum, as one of the drugs for which the National Health Service will no longer pay from April 1.

Until now, doctors who have prescribed the gum, which costs about £12 for 105 tablets on private prescription, have had their NHS prescriptions challenged, but have been able to appeal to a tribunal to rule that the prescription was justified for a particular patient.

After a number of test cases last October, doctors stood a chance of being able to prescribe the drug on the NHS, usually for patients with smoking related diseases, although no precedent was set.

From April 1, however, they will be barred by regulation

from doing so. Allowing the gum to be prescribed freely could cost the health service £20 million a year. At a Department of Health conference on smoking yesterday, Mr John Patten, Under Secretary of State for Health, said the chewing gum had been listed "because we doubt its therapeutic value", and doctors are divided about its effectiveness.

However, talks today on setting up an appeals machinery to allow individual patients to have listed drugs in exceptional cases could provide some latitude. Family doctors' leaders will meet Mr Kenneth Clark, Minister for Health, to put their case.

General practitioners want to be able to prescribe with unusual needs, then justify it later.

Two die in love tangle shooting

The bodies of two men involved in a love tangle were found by police yesterday at an isolated bungalow in a Norfolk village after a nine-hour armed siege.

Armed police surrounded the bungalow and set up road blocks in the village of Buxton after Mr Richard Green, aged 28, burst in with a 12-bore automatic shotgun on Monday night.

He confronted his former wife, Mrs Gail Green, aged 27, and a friend of hers, Mr Christopher Adams, who lived with her.

Mrs Green, a former Miss Norwich beauty queen escaped and ran barefoot to a public house, near by and alerted police.

Police moved in at dawn yesterday and found Mr Green, who lived five miles away at Worstead, dead from gunshot wounds in the front garden. The body of Mr Adams, aged 28, was found inside the bungalow, in Brook Street.

It is believed that Mr Green shot Mr Adams shortly after his wife escaped and then turned the gun on himself.

Court told of screams in car park

A witness in the trial of Kenneth Pegg, a magistrate accused of killing his fiancée's lover, told yesterday of screaming and fighting in the car park where Mr Peter Goddard is said to have been stabbed to death.

Mr John Hepplewhite, a travel firm employee, told St Albans Crown Court the attacker put his hand over his victim's mouth and apparently plunged a blade into his back.

Mr Hepplewhite was in a multi-storey car park in Hemel Hempstead, Hertfordshire, on August 9 when he heard screaming, but at first he thought it was youngsters carrying on.

Then he saw two men fighting on the ground. Mr Hepplewhite said he saw the man on top push his right hand into the back of the other.

"When he withdrew his hand I saw him holding a blade and then I saw the blood. When he thrust forward with his right hand he actually placed a hand on the mouth of the person on the ground."

Pegg, aged 36, has denied murdering Mr Goddard with a surgical amputation knife.

£1,000 fine for escape of fumes

A chemical waste disposal company, Re-Chem International, was fined £1,000 yesterday when it admitted that noxious fumes had escaped from its plant at Hythe, near Southampton, affecting employees at an adjoining factory.

Hythe magistrates were told that during the incident on September 17 last year 79 people reported stinging sensations in the eyes and some suffered nasal irritation and sore throats. The company said it had been an isolated incident.

Nurse improves

The father of the Lassa fever victim, Miss Jill Sanderson, who was flown home from Sierra Leone by the RAF, said yesterday he was confident she would make a complete recovery. Mr Philip Sanderson said his daughter, a nurse aged 27, was "steadily improving" in the special isolation unit at Ham Green Hospital, near Bristol.

Forgery trial

Mr Anton Johnson, aged 43, of Eastwood, Essex, a former controlling shareholder of Southend United, was sent for trial by Southend magistrates yesterday on 10 charges of theft, forgery and attempting to pervert the course of justice. He is jointly accused with Mr Michael Anderson, aged 32, a financial consultant, of Southend.

Prize dog stolen

Police are investigating the theft of a £10,000 collie bitch from a dog show at Wintborne near Newark, Nottinghamshire, at the weekend. Mellodur-Flurry-at-Fulmoor, a breed winner at Crufts last year, was taken from her handler by a woman claiming to be the owner.

Bath death

Christakis Sofokleous, aged 16 of Highbury, London, who always took a bath when he came home from school, died from carbon monoxide poisoning because a bird's nest blocked a heater flue. An accidental death verdict was recorded yesterday at the St Pancras inquest.

Supporter jailed

A Chelsea football supporter, Paul Fraser, of Belsize Park, north London, who swore at rival Sunderland supporters outside the London ground on March 4, was jailed for seven days at Hove Street Magistrates Court.

BY STUDYING PEOPLE'S MOVEMENT TO, FROM AND IN A CITY AND BY PUTTING THIS DATA TOGETHER WITH INFORMATION ON THE ROAD NETWORK AND VEHICLE FLEET VOLVO HAS BEEN ABLE TO DEVELOP MASS TRANSPORT SYSTEMS FOR A NUMBER OF CITIES. WE ALSO BUILD THE BUSES TO GO WITH THE SOLUTION - WE EDUCATE THE DRIVERS, AND TEACH THE MAINTENANCE PEOPLE AND MANAGERS. WE DO EVERYTHING APART FROM SUPPLYING THE PASSENGERS. THEY TEND TO SUPPLY THEMSELVES.

VOLVO

A-test story horrifies Wick

By Ronald Faux

The disclosure that Wick was once proposed as a site for testing a nuclear device broke on that quiet northern community yesterday as little short of a bombshell.

The town owes its prosperity to the nuclear industry and the Dounreay fast reactor site near by is the biggest employer in the region, but the citizens of Wick draw a sharp distinction between nuclear power for war and for peace. There was local amazement at suggestions that the scheme was abandoned only because of Wick's wet weather record.

Mr Bill Mowat, former Provost and chairman of the community council, found it absolutely horrifying, he said, that the thought entered anybody's mind to explode such a device anywhere in the country, least of all in Wick. Little wonder, he said, that people in Caithness got the strong impression that they were regarded south of the border as expendable, second-class citizens. Experience during the past 30 years has made the community strongly in favour of nuclear energy, but bombs were quite another question.

"Sitting Dounreay here was a calculated risk: setting off nuclear triggers would have been different altogether. It is

An atomic bomb is made either of plutonium-239 or uranium-235. The explosion occurs when the lump of metal reaches a critical size in which a self-sustaining chain reaction, which is just a rapid process of self-destruction with the release on an immense amount of energy, occurs.

The process is started by neutrons which are being released continually by atoms of the fissile material, but which causes no problem so long as the plutonium or uranium are kept in small subcritical lumps.

The testing of a trigger for an atomic bomb is a trial of the device whereby two subcritical lumps are formed rapidly into one critical mass.

to be hoped that the people who handle these things now have a little more intelligence and knowledge about the whole subject.

The Rev Robert Sinclair, aged 89, Free Presbyterian Church minister in Wick, said the proposal was iniquitous. It was quite wrong that any such experiment should have been contemplated without first consulting the local community. "There would have been vigorous opposition," he said.

Mr Morton Smith, regional

councillor and former shop stewards' convener at Dounreay, seemed rather less surprised that Wick was once singled out for such a disaster. "I am in no doubt that Dounreay would have gone to the deep south if there had not been some doubt about the plant's safety. In fact, it has done a good job and people in Caithness are much more worried about their gas ovens blowing up. I doubt they would feel the same way about any kind of nuclear explosion."

The Ministry of Defence said yesterday that the experiment would not have involved exploding an atom bomb on Wick, although radioactive material would have been released. Several Scottish MPs are to press the Government for more information. Mr Robert MacLennan, MP for Caithness and Sutherland, said the idea would have been thoroughly squashed by the Civil Service or any political leader. It clearly was the jottings of a Dr Strangelove and not a serious proposition, he said. A minority of half-dotty scientists might draw up memoranda about the technical feasibility of doing things, but the whole point of a democracy was to kill off such ideas at birth. It was not at all clear that the idea was treated seriously at the time.

Kremlin sees May as ideal timing for summit

From Richard Owen, Moscow

The new Kremlin leadership is seriously considering a summit between Mr Mikhail Gorbachev and President Reagan in May, according to informed Soviet sources, even though Mr Gorbachev may not become Soviet President until the summer.

Sources said the forthcoming celebrations in East and West marking the 40th anniversary of the defeat of Fascist Germany would be an "ideal opportunity" for a summit.

The sources added that if serious obstacles developed at the Soviet-American arms talks in Geneva over the next month or so a summit meeting could be used to break the deadlock.

Last week, Vice-President George Bush conveyed Mr Reagan's proposal for a summit to Mr Gorbachev at the funeral of President Chernenko. Soviet sources reacted positively but coolly at the time, noting that there would first have to be progress at Geneva, and that Mr Gorbachev needed time to consolidate his authority.

Mr Gorbachev succeeded Chernenko as party leader 10 days ago, but can be made President or head of state only by the Supreme Soviet (Parliament). Sources said a summit would convene at the end of April, shortly before the plenum would lay the groundwork for Mr Gorbachev's internal reforms and make Politburo changes to bolster his position.

But a summit might not be held until June. The Kremlin is obliged by law to give one month's notice of Supreme Soviet sessions. Diplomats noted that it has also taken Andropov and Chernenko several months before they acquired the presidency as well as the party leadership.

Observers said that since Mr Gorbachev was already acknowledged both at home and abroad to be the unchallenged Soviet leader, he could meet Mr

Reagan on an equal footing even without being President. Sources noted that Mr Gorbachev had even signed treaties in the 1970s, long before he became head of state in 1977.

Pravda yesterday praised the wartime alliance against Hitler and said it proved how important co-operation was to America and Russia. Forty years of post-war peace had shown that the Soviet Union was ready for peaceful coexistence.

Last week Mr Gorbachev, picking up a theme from the final Chernenko days, said the spirit of the wartime alliance should be revived. Mr George Shultz, the Secretary of State, and Mr Andrei Gromyko, the Foreign Minister, are to meet in Vienna in May, but no venue has yet been put forward for a Reagan-Gorbachev encounter.

Other signs of a superpower thaw include Kremlin hints that Cabinet-level trade talks could be re-instituted for the first time since the invasion of Afghanistan in 1979.

Pravda said yesterday the past 40 years had shown that the West was going up a blind alley by trying to gain superiority over Russia, and urged Washington to show "realism and common sense" over "star wars" space weapons and nuclear missiles issues.

Kremlin sources said Mr Gorbachev wanted to secure peace with the West to concentrate on internal reforms. He is expected to promote such talents, economic advisers as Mr Nikolai Ryzhkov, who yesterday joined Mr Nikolai Tikhonov, the Premier, aged 79, in talks with Mr Constantin Dulescu, the Romanian Prime Minister.

Party officials, however, are waiting to see who Mr Gorbachev will appoint as secretary for agriculture, his former portfolio in the Secretariat and still the Soviet economy's main weak spot.

Kirkpatrick criticizes Soviet expansion

By Our Foreign Staff

Mrs Jeane Kirkpatrick yesterday told the 1983 London conference on Communism and Liberal Democracy that "in just 20 years the Soviet Union has gone from being a continental power to being a global power".

Documents from Grenada made "painfully and marvelously clear" the process of "incremental incorporation into the world socialist system". Plans for further Soviet expansion could be seen in "for example Nicaragua's support for the guerrillas in El Salvador", she said.

Mrs Kirkpatrick, America's outgoing United Nations envoy, was one of the leading anti-Communist intellectuals, opinion-makers and political leaders discussing "Beyond 1984". Lord Chalfont, the chairman,

launched proceedings on Monday evening with an outspoken impromptu attack on Sir Geoffrey Howe's speech critical of the strategic defence initiative. He described it as a "sad concoction of out-of-date slogans and misconceptions".

If the Foreign Office believed they could create a role for Britain as "honest broker" between the United States and the Soviet Union, this would go down as "one of the most appalling foreign policy blunders of recent years".

Mr Vladimir Bukovsky yesterday attacked Western illusions about the new Soviet leader. He hesitated to turn on his radio or television for fear of hearing more naive effusions about the "young" and "charismatic" Mr Gorbachev.

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Warm welcome: President Saddam, centre, about to embrace President Mubarak, with King Hussein a smiling witness to an historic occasion.

Mubarak and Husain mend some Arab fences

From Alice Brinton Cairo

President Mubarak's sudden decision to visit Baghdad while on a visit to Amman on Monday, has not surprised officials in Cairo.

Both Egypt and Jordan are naturally anxious to assess for themselves Iraq's position in the escalating Gulf War. Jordan shares a common

border with Iraq, while Egypt is a major supplier of arms to that country, with sales last year amounting to about \$1 billion.

Although relations between Baghdad and Cairo have been steadily improving since the Egyptian-Israeli peace treaty of 1979 led Iraq to break with Egypt, President Mubarak's visit is the first by an Egyptian president since then. It has

naturally led to some speculation of a resumption of diplomatic relations.

However, on his return from Baghdad, Mr Mubarak dodged that issue by saying that he did not pay much attention to formalities and had gone to Baghdad as a gesture of friendship in the light of recent developments in the Gulf War. He said that Iraq did not need any further military assistance

and called on Iran to seek peace with Iraq and put an end to the bloodshed.

Diplomatic recognition by Iraq would without doubt give Egypt an important psychological boost in its relations with other Arab countries, especially when Mr Mubarak is doing all he can to reactivate the Middle East peace negotiations.

His recent visit to Washington and his proposal to

President Reagan that the US open a dialogue with a joint Jordanian-Palestine Liberation Organization delegation met a cool reception. Both US and Israel refuse to talk to the PLO unless it first recognizes Israel's existence.

President Mubarak went to Amman on Monday to brief King Hussein on his Washington talks and to discuss, no doubt, what to do next.

Muslims flee as war grips Sidon

From Robert Fisk Sidon

Under mortar fire from pro-Israeli Phalangist militiamen and complaining that they had not even been supplied with enough heavy weapons to beat back their enemies, Lebanese government troops dug in behind sandbagged positions across Sidon yesterday as a Christian-Muslim civil war front line emerged to divide the ancient biblical city.

Dozens of Muslims began to flee their homes in the Phalangist-controlled Abta suburbs in scenes tragically similar to those which tore Beirut apart in civil conflict 10 years ago.

Muslim politicians and Lebanese Army officers in Sidon all blamed Israel for the fighting, saying that the mutiny within the Phalangist militia in Beirut had been organized by the Israelis and that the Phalangists east of Sidon had been induced to turn their guns against the legitimate national army.

According to one army Lieutenant near the Awali river, militiamen of Israel's proxy "south Lebanon army" had arrived in Abta from their forward positions in Kaf Farous, on the road to Jezzine, to join the Phalangists in fighting the Lebanese soldiers.

Israel had predicted before its withdrawal from Sidon on February 16 that there would be a bloodbath in the city and that the Lebanese Army would be unable to maintain control there.

Certainly, Sunni Muslim militiamen were firing at the Christians from alongside army troops yesterday, equally certainly, the mortars and shells fired at the Lebanese Army had been supplied to the Christian militias by the Israeli Army. Neither the Israelis nor the Phalangists have ever made any secret of how the Christian militias receive their weapons.

More than a hundred Muslims left their homes in Abta yesterday morning under the protection of the Lebanese Red Cross as mortar and shellfire hissed over the Jezzine road just east of the city centre.

Israeli-backed militiamen forced children to stand in front of their gun position as a shield after a shootout with Irish troops in a Shia Muslim village south Lebanon, UN officials and diplomatic sources said. The militia action followed a "shootout the night before between Irish soldiers and the militia, whose military activities are limited by the Irish checkpoints."

Amal militiamen were later seen kidnapping Christians in Sidon, allegedly in retaliation for the robbing of Muslim homes and for abductions by Phalangists in Abta. "I left my home with my family, one Muslim businessman said yesterday. 'How can I ever go back there and live with those people again? But I tell you this is Israel's doing. They made the Phalangists do this. They want to make us look like animals and say that they were policemen here keeping the peace.'"

If Muslim anger is considerable, the performance of the Lebanese Army has in some cases been lamentable. At one point yesterday, two Lebanese soldiers atop an armoured troop carrier were vainly trying to fire their machine gun while Amal Shia Muslim militiamen hammered them with automatic weapons. The usual gunfire had been killed in fighting on Monday and no one else had been trained to fire the weapon.

Among those forced to flee their homes was the family of Mr Ahmed Mantash and his wife, in whose house *The Times* correspondent lived before the Israeli withdrawal last month.

Marshlands littered with bodies

Al-Uzayr, southern Iraq (Reuters) - Hundreds of Iranian corpses litter the marshlands around this southern Iraqi town after seven days of fierce fighting in which Iraq says it crushed an Iranian advance to the river Tigris.

Baghdad-based correspondents toured the battlefield on Monday for the first time since Iran launched its offensive on March 11. They were driven about 12 miles east, almost to the Iranian border.

We were taken 25 miles north and south through marshes cleared of Iranian troops and saw hundreds of Iranian bodies in foxholes and trenches on both sides of the river, many with rocket-propelled grenade (RPG) launchers still at their sides.

Missile batteries around Al-Uzayr, on the vital Baghdad to Basra highway between al-Amarah and al-Qurnah, fired on Iranian lines now said by Iraq to be some 25 miles away.

Iraqi commanders said eight divisions of Iranian regular army troops and revolutionary guards were poured into the al-Hawizah marshes, apparently trying to reach the Tigris and cut the main road to Basra, Iraq's second biggest city.

Advance units at one stage managed to cross the Tigris, throwing pontoon bridges across the river and taking up positions on its west bank, threatening the highway.

However, the bridges were destroyed by Iraqi helicopter gunships and the enemy troops encircled and destroyed. Major-General Sulaim Hashem, commander of the east Tigris forces, said at his battlefield headquarters.

Iranian forces knocked out dozens of Iraqi tanks and armoured personnel carriers, still strewn around the battlefield before the counter-attack by crack Iraqi reinforcements from special forces and the presidential guard.

More than 50 Iraqi tanks were still rumbling over marshland roads, many firing east towards the Iranian lines.

An Iraqi High Command communiqué on Monday described the fighting as the fiercest of the war, now in its fifth year.

General Hashem said the Iranians had lost tens of thousands of men. Asked about Iraqi casualties, he replied: "One Iraqi to every 100 Iranian soldier now exists in the marshlands they invaded last week."

The Defence Minister, Mr Adnan Kheirullah, who commanded Iraqi troops at the front, said they had "fought for several days and nights without a break, inch by inch, trench by trench, from one position to another."

As the correspondents toured the marshes, dotted with unexploded RPG's and hand grenades and machine-gun ammunition, the stench of decaying corpses pervaded the air.

A marshland fishing village was deserted apart from a few cattle left behind by residents fleeing the Iranian advance.

General Hashem said there had been no fresh fighting in the Majnoon Islands.

Iraq claims a big victory as peace efforts mount

Bahrain (Reuters/AFP) - Iraq appeared to have repulsed a large-scale Iranian offensive on the southern Gulf war front as international efforts mounted yesterday to end the 53-month conflict.

Iraq said it had hit Baghdad with its fourth missile fired on the city in six days. In Tehran, Iranians and foreigners scrambled for plane seats out of the country hours before an Iraqi deadline after which Iranian air space will be declared a war zone. About 1,300 foreigners left on the last flights out.

In Riyadh, foreign ministers of the six-nation Gulf Co-operation Council yesterday ended a two-day meeting with a pledge of support for Iraq.

The Kuwaiti Foreign Minister, Shaikh Sabah al-Ahmad al-Sabah, said he would fly to Baghdad to discuss ways to halt the war. He was prepared to go to Tehran if Iran showed readiness to end the conflict.

The Gulf Arab states urged Iran "to respond to international efforts to end the conflict and respect its border with Iraq".

President Ali Khamenei of Iran welcomed efforts to halt attacks on civilian areas.

President Dawud Jawara of Cambodia, head of an Islamic Conference Organization (ICO) peace committee, is due to discuss the war at the ICO headquarters in Jeddah on Saturday.

Meanwhile, Iran said it fired its fourth missile in six days at Baghdad yesterday in retaliation for Iraqi raids on Iranian cities.

BRUTAL BATTLE: Last week's brutal fighting in the marshlands of southern Iraq has ended and as Iraq has been the first to take reporters to the battlefield one can only assume that its forces have won (Henry Stanhope wires).

But as both sides resumed their more normal pattern of air raids and missile attacks against civil as well as military targets yesterday there was little optimism over the end to the conflict.

Iran has already announced an end to the offensive in which it launched a force estimated at up to eight divisions or division equivalents, across the al-Hawizah marshes in pursuit of its old objective - the north-south highway linking Baghdad with Iraq's second city, Basra.

It reportedly tried to cut the Iraqi thick red line at a point where the third and fourth corps joined - much as an Israeli task force under General Sharon punched a hole between the Egyptian second and third armies on the east bank of the Suez canal in 1973.

This time it was Shia fanaticism rather than Israeli dash and "chutpah" which drove the troops forward, towards Iraq defences heavily fortified by Soviet arms shipments in the last two years.

Iran lacks the strength and logistic depth to break through towards a strategic objective of the kind which might topple Saddam Hussein.

Ershad confident of poll 'Yes'

From Michael Hamlyn, Dhaka

More realistically the President, elegant in a beige safari suit with knife-edge creases, suggested that 60 per cent of the total electorate was a usual figure for an election turnout.

Bangladesh goes to the polls tomorrow in a referendum the result of which everyone cynically regards as a foregone conclusion. The result, people say, will be that around 60 per cent of the electorate will be said to have turned up, and that somewhere between 80 and 90 per cent of them will be said to have voted "Yes".

"Yes" in this case means "Yes" we approve of the innovations introduced by the martial law regime since it seized power three years ago", and "Yes" we want Lieutenant General Hussain Muhammad Ershad, the Chief Martial Law Administrator, to continue in office as President until general elections can be held.

In fact, since the people of the Indian sub-continent basically like elections, the chances are that around 40 per cent of the electorate will actually turn out, and the chances also are that since they have bothered to come they will vote for the General. After all, if you wanted to show your disapproval you probably would simply not show up.

General Ershad sees it a little differently. "There will not be any shortage of voting," he told me at the presidential palace, Bangabhaban, yesterday. "The whole country is full of enthusiasm for casting their vote. They understand," he added darkly, "what will happen if the previous instability will continue."

The General addressed



General Ershad: 'Country full of enthusiasm'

There are nearly 49 million registered voters in this densely-packed, though soggy country. They will not make any mark on their ballot paper. All they have to do is place it in a box with the General's picture on it they want to vote "Yes", or in an unmarked box if they want to say "No".

Cynics say that it will not be hard for a loyally-inclined election supervisor to make sure that the ballots in the "No" box somehow get transferred to the "Yes" box before counting.

The General addressed

Britain opposes EEC conference on unity

From Ian Murray, Brussels

Britain, Denmark and Greece have joined forces to block a scheme by the other EEC countries to call an intergovernmental conference to bring about "European unity". At the same time Britain is backing other ideas to improve European unity.

The scheme in the interim report of the special committee set up by last June's European summit to study ways of bringing the Community out of what is described as "a state of crisis". The report has been drawn up for preliminary discussion by the Brussels summit at the end of this month.

Denmark and Greece have lodged general reserves on the whole exercise, while Mr Malcolm Rifkind, the Foreign

Office Minister of State, has confined his criticisms to the sections dealing with majority voting in council meetings increasing the powers of the Parliament and calling the intergovernmental conference.

Under the scheme preferred by the seven other countries, the European Parliament would be required to vote on all proposals from the European Commission and then the text approved by Euro-MPs.

Inside the council itself seven countries want to see that majority rules with decisions being taken by a vote save in "exceptional cases". Mr Rifkind argued that there should always be a search for consensus.

Britain does support opening up the internal market of the Community.

Alfonsin and Reagan discuss \$45bn debt

From Christopher Thomas Washington

President Raúl Alfonsín of Argentina, who is on a three-day state visit to the United States, conferred with President Reagan yesterday on Argentina's staggering \$45 billion foreign debt. Inflation in the past 12 months exceeded 700 per cent.

Señor Alfonsín is being given red carpet treatment, despite strong differences over the US's bellicose policies in Central America. Administration officials said the US wanted to emphasize the importance attached to Argentina's return to democracy. He will address a joint session of Congress today.

Other topics discussed at the White House included Argentina's claim to the Falkland Islands.

US actor faces rape charge

Los Angeles (Reuters) - Jim Brown, the former American footballer turned actor whose films include *The Dirty Dozen* and *Ice Station Zebra*, is to be charged with rape, sexual battery and assault, a court official said.

Mr Brown, aged 49, and a friend, Carol Moses, aged 22, were arrested on February 20 after a 33-year-old woman filed a complaint against them. Mr Brown is due to appear in court tomorrow.

Murdoch pledge to Chinese

Peking - Mr Rupert Murdoch, publisher of *The Times*, has told the Chinese Vice-Premier, Mr Yao Yilin, that he will try his best to make co-operation between Chinese and Australian television "fruitful".

Mr Murdoch, who is visiting China for the first time, met Mr Yao on Monday at the Great Hall of the People.

Treholt ill

Oslo (Reuters) - Arne Treholt, the former Norwegian diplomat charged with spying for the Russians, has complained of stomach pains after eating chocolates sent to him in prison, police said.

4 die in riots

Delhi (Reuters) - Troops yesterday moved into the Gujarat state capital, Ahmedabad, after four people were killed in riots over the reservation of university places and jobs for underprivileged groups.

Urgent food

Rome (AP) - Emergency food aid totalling about £38 million is going to eight drought-stricken countries in Africa and to Pakistan, Bangladesh and Indonesia, the UN Food and Agriculture Organization said yesterday.

Foul play

Moscow (Reuters) - Volga, a Gorky-based second division football team, has been disbanded after the discovery that its trainers took monthly bribes from young players hoping to secure their places on the team.

Moi assures press but gives it a warning

From Charles Harrison, Nairobi

Kenya's constitutional guarantee of a free press remained "firm and unshakable", President Moi said yesterday, speaking at celebrations to mark the 25th anniversary of the *Nation* newspaper - now the largest-selling in East Africa - which were founded by the Aga Khan.

The Aga Khan, still the controlling shareholder, and the former United Nations Secretary-General, Dr Kurt Waldheim, were at the ceremony.

Although he supported the principle of press freedom, President Moi said the press must not portray "undesirable weaknesses" in a destructive manner.

Dr Waldheim expressed regret that the developed world

continued to spend more on arms than trying to overcome the disasters affecting the Third World.

"Peace is not only threatened by massive arms build-ups. Poverty, hunger and social inequality are also causes of violence... it is the moral obligation of the richer countries to help the poorer nations."

Dr Waldheim supported moves for a new world information order, and said a compromise must be found to differences on the subject between the West and the developing world.

In his speech, the Aga Khan paid tribute to the Kenyan Government's acceptance of the role of modern newspapers in the country's progress.

Britons in Lagos court

Two British engineers, Mr Kenneth Clark and Mr Angus Paterson, appeared in court in Lagos yesterday charged with conspiracy to steal an aircraft and scaling an aircraft (the Press Association reports).

According to reports reaching London, their case was adjourned until April 24. The judge ordered that they should have access to defence counsel before the next hearing.

Britain has protested to Nigeria about the conditions under which the two, both from Aberdeen, are being held in jail.

مكتبة الامم

INCOME TAX

Basic personal allowances raised by twice inflation rate

By David Smith, Economics Correspondent

The Chancellor's income tax cuts were selective and less generous than had been generally expected. However, by combining them with changes in national insurance contributions to benefit the lower paid, he had attempted to maximise the impact of his tax changes upon unemployment.

Basic personal allowances are raised by around 10 per cent, twice the amount needed to compensate for inflation. The single person's allowance increases from £2,005 to £2,205, a 10 per cent rise. The change is worth £1.15 a week to a single person.

The married man's allowance rises by 9.5 per cent, from £3,155 to £3,455, a £300 change. That is worth £1.73 a week, to a married couple.

Also increased by more than inflation are the additional personal allowance and widow's bereavement allowance, up £100 to £1,250, a rise of 8.7 per cent.

The age allowance goes up by £200 (£2,490 to £2,690) for single people; £300 (£3,935 to £4,235) for married couples.

Higher up the income scale, the Chancellor has deliberately not provided additional tax cuts to those implied by the changes in basic allowances.

The higher rate thresholds all rise by around 5.5 per cent, with the threshold for 40 per cent income tax increasing from £15,401 to £16,201. The top rate band will begin at £40,200, compared with a current threshold of £38,100.

The Chancellor's income tax measures are estimated to reduce the number of people paying income tax by 800,000 in 1985/86, compared with the situation if allowances had not been raised at all, and 375,000 if they had only been indexed.

The overall cost of raising thresholds is £1,590 million in 1985/86, and £2,025 million in a full year.

The cost over and above that implied by indexation is £710 million in 1985/86, £930 million in a full year.

The Government's emphasis in recent years has been on cutting income tax through raising thresholds by more than inflation.

This tax route was adopted after Sir Geoffrey Howe's first Budget, in June 1979, which concentrated on cutting income tax rates. The basic rate was then cut from 33 to 30 per cent, and the higher rates reduced, with the top rate cut from 83 to 60 per cent.

Since then, apart from in the austerity Budget of 1981, when income tax thresholds and allowances were not raised even in line with inflation, the focus has shifted from rates to thresholds and allowances.

The Government's 1978 target of reducing the basic rate of income tax to 25 per cent has apparently been abandoned. It has been calculated that, even before yesterday's measures, the Government could have got the basic rate down to 27.5 per cent by concentrating on rates rather than thresholds and allowances.

Apart from "taking people out of tax" by raising thresholds and allowances, the Treasury has been playing close attention to the allowances themselves. In the current financial year there are no fewer than 56 allowances

which can be set against income tax, some of which have a negligible revenue effect but pose administrative difficulties.

A debate has been running among economists and tax specialists on, firstly, the desirability of changes in thresholds rather than rates and, secondly, on the impact, particularly on unemployment, of income tax cuts against other forms of fiscal stimulus.

The Institute for Fiscal Studies has said that raising thresholds and allowances is a poor way to tackle either the poverty trap or the unemployment trap and that cuts in rates would be better.

The poverty trap exists where heads of low income households face punishingly high marginal rates of tax and benefit loss, sometimes combining to produce an effective marginal tax rate of over 100 per cent. Raising thresholds is unlikely to take such people out of tax, the IFS says, and would therefore have little impact on the poverty trap.

The unemployment trap is similar but affects unemployed people who are dissuaded from taking a low-paid job because they are better off on benefits. The problem is most acute, again, for heads of low income households who would not be helped greatly by changes in thresholds and allowances.



In addition, economists are sceptical about the effects of income tax cuts on unemployment. The Government has emphasized the supply-side or incentive effects of tax cuts. However, these are difficult to pick up and economists from five organisations - the Henry Centre, London Business School, Wharton Econometric Forecasting Associates, City University Business School and Simon & Coates - concluded that income tax cuts ran a poor third to public spending and national insurance changes in generating jobs.

As well as announcing changes in allowances and thresholds for next year, the Chancellor promised a green paper on personal tax reform. That will be published later in the year, and the key emphasis is likely to be upon the separate taxation of husbands and wives, the advantages of which Mr Nigel Lawson outlined in his speech.

The scheme Mr Lawson envisaged would allow the full transfer of unused allowances to the partner. That change is not envisaged until 1990.



Food for thought: Mr Nigel Lawson, and his wife Teresa watching their children, Tom, aged eight, and Emily, aged three, feeding geese during the Chancellor's traditional pre-Budget walk in St James's Park, yesterday. (Photograph: Suresh Karadia).

PERSONAL TAX ALLOWANCES

	1984-85	1985-86
Single person	£2,005	£2,205
Married man	£3,155	£3,455
Wife's earned income allowance	£2,005*	£2,205
Additional personal allowance (single parents)	£1,150	£1,250
Dependent relative	£100	£100
Blind person's allowance	£360	£360
Single person couple (both blind)	£720	£720
Age allowance (age 65 or over)	£2,490	£2,690
single married	£3,935	£4,235

*This is the maximum. Age allowance is reduced down to personal allowance levels by £2 for every £3 of excess income over £8,100 in 1984-85, £8,800 in 1985-86.

MARRIED COUPLE, NONWORKING WIFE £20,000 MORTGAGE

	Annual income					
	£12,000		£17,000		£25,000	
	1984-85	1985-86	1984-85	1985-86	1984-85	1985-86
	£	£	£	£	£	£
INCOME	12,000	12,000	17,000	17,000	25,000	25,000
Less tax allowances	3,155	3,455	3,155	3,455	3,155	3,455
Mortgage interest relief*	2,600	2,600	2,600	2,600	2,600	2,600
Taxable income	6,245	5,945	11,245	10,945	19,245	18,945
Tax payable	1,873	1,783	3,373	3,283	6,210	5,958
N.I. contributions	1,080	1,080	1,170	1,240	1,170	1,240
TOTAL NET INCOME	9,047	9,137	12,457	12,477	17,620	17,802

*Mortgage interest is calculated at 13.00 per cent

SINGLE PERSON, £10,000 MORTGAGE

	Annual income					
	£5,000		£10,000		£15,000	
	1984-85	1985-86	1984-85	1985-86	1984-85	1985-86
	£	£	£	£	£	£
INCOME	5,000	6,000	10,000	10,000	15,000	15,000
Less tax allowances	2,005	2,205	2,005	2,205	2,005	2,205
Mortgage interest relief*	1,300	1,300	1,300	1,300	1,300	1,300
Taxable income	2,695	2,495	6,695	6,495	11,695	11,495
Tax payable	808	748	2,008	1,948	3,508	3,448
N.I. contributions	540	540	900	900	1,170	1,240
TOTAL NET INCOME	4,852	4,712	7,082	7,152	10,322	10,312

*Mortgage interest calculated at 13.00 per cent

COUPLE OVER 65, NO MORTGAGE

	Annual income					
	£7,500		£10,000		£15,000	
	1984-85	1985-86	1984-85	1985-86	1984-85	1985-86
	£	£	£	£	£	£
INCOME	7,500	7,500	10,000	10,000	15,000	15,000
Less Age allowance*	3,955	4,255	3,155	3,455	3,155	3,455
Taxable income	3,545	3,245	6,845	6,545	11,845	11,545
Tax payable	1,063	973	2,053	1,963	3,553	3,463
TOTAL NET INCOME	6,432	6,527	7,947	8,037	11,447	11,537

*This is reduced by £2 for every £3 of income over £8,100 (1984-85) £8,800 (1985-86) down to married man's relief level.

SINGLE PARENT WITH THREE CHILDREN, £10,000 MORTGAGE

	MORTGAGE					
	£5,000		Annual income £7,500		£10,000	
	1984-85	1985-86	1984-85	1985-86	1984-85	1985-86
	£,000	£,000	£,000	£,000	£,000	£,000
INCOME	5,000	5,000	7,500	7,500	10,000	10,000
Less tax allowance	3,155	3,455	3,155	3,455	3,155	3,455
Mortgage interest relief*	1,300	1,300	1,300	1,300	1,300	1,300
Taxable income*	5,455	5,245	3,045	2,745	5,545	5,245
Tax payable	483	373	913	823	1,663	1,573
N.I. contributions*	540	540	675	675	900	900

Plus child benefit 1,248 1,289 1,248 1,289 1,248 1,289

TOTAL NET INCOME 6,240 6,356 7,160 7,291 8,685 8,816

*These figures could be lower/higher if part of the income is maintenance payments. Mortgage interest calculated at 13 per cent

MARRIED COUPLE, WORKING WIFE, 2 CHILDREN, £25,000 MORTGAGE

	MORTGAGE					
	£14,000		Annual income £17,000		£20,000	
	1984-85	1985-86	1984-85	1985-86	1984-85	1985-86
	£	£	£	£	£	£
INCOME	14,000	14,000	17,000	17,000	20,000	20,000
Less tax allowances	5,150	5,650	5,150	5,650	5,150	5,650
Mortgage interest relief*	3,250	3,250	3,250	3,250	3,250	3,250
Taxable income	5,590	5,090	8,590	8,090	11,590	11,090
Tax payable	1,577	1,527	2,577	2,427	3,477	3,327
N.I. contributions†	1,260	1,260	1,530	1,530	1,800	1,800

Plus child benefit 689 712 689 712 689 712

TOTAL NET INCOME 11,752 11,925 13,572 13,755 15,412 15,585

*Mortgage interest calculated at 13 per cent. These figures could be lower, depending on the level of the wife's earnings and whether she pays full N.I. contributions.

PERSONAL ALLOWANCES

Spouses must wait for Green Paper to see radical reform

By Lorna Bourke

In an unexciting package of personal tax changes the campaigners for reform of the taxation between husband and wife were disappointed to learn that nothing is to be done in the immediate future to rectify this source of aggravation.

Radical changes are to be deferred once again until publication of a Green Paper later in the year and implementation is not likely much before the end of the decade when computerisation of PAYE will be completed.

This will be the second Green Paper on the subject following the 1980 version which proposed a number of options - none of which have so far been implemented.

The new Green Paper will be more wide ranging looking beyond the husband/wife relationship, towards integration of the social security benefits system with taxation - the old tax credits system first proposed by a Conservative government in the early 1970s.

The Chancellor said that there was a strong case for changing to a new system under which everybody, male or female, married or single, would have the same tax allowance.

Where one partner in a married couple did not have enough income to make full use

of his or her allowance, he or she would be able if they wished to transfer the unused allowance to their partner.

The Chancellor said that the Green Paper would consider in detail the disaggregation of a wife's investment income from that of her husband.

Under the present system although a married woman can opt for separate taxation, her investment income is always treated as though it was her husband's income.

The Chancellor indicated that he wanted reforms which would benefit the family with a

non-working wife, who stayed at home to care for children.

His failure to make any reforms in this Budget will be a big disappointment to the child poverty lobby who had hoped that there would be some curtailment of married man's allowance in favour of higher child benefit.

The Chancellor is keen to introduce a much fairer system of taxation. Under the present structure of personal allowances, a married man gets an allowance which is about one and a half times the size of the single person's allowance. A married woman has an allowance equal to the single person's allowance which she can set only against her earned income.

In the case of a widow living off investment income, the present system makes it very disadvantageous for her to remarry since she will then have no personal allowance which can be offset against her investment income.

The Chancellor said he was keen to reduce the burden of taxation as much as possible but that it is vital that the resources available are put to the most effective use.

He said that what was needed was a tax system more suited to the economic and social needs of today.



SINGLE PERSONS - INCOME ALL EARNED - ANNUAL FIGURES

Income	Charge for 1984-85		Proposed charge for 1985-86		Reduction in tax after proposed change	
	Income tax	Percentage of total income taken in tax	Income tax	Percentage of total income taken in tax	Income tax	As percentage of total income
£	£	%	£	%	£	%
2,500	148	5.9	88	3.5	60	2.4
3,000	298	10.0	238	8.0	60	2.4
4,000	598	15.0	538	13.5	60	1.5
5,000	898	18.0	838	16.8	60	1.2
6,000	1,198	20.0	1,138	19.0	60	1.0
7,000	1,498	21.4	1,438	20.6	60	0.9
8,000	1,798	22.5	1,738	21.7	60	0.7
9,000	2,098	23.3	2,038	22.7	60	0.7
10,000	2,398	24.0	2,338	23.4	60	0.6
12,000	2,998	25.0	2,938	24.5	60	0.5
14,000	3,598	25.7	3,538	25.3	60	0.4
16,000	4,198	26.2	4,138	25.9	60	0.4
18,000	4,798	26.7	4,738	26.3	60	0.3
20,000	5,398	27.0	5,338	26.7	60	0.3
25,000	7,398	29.6	7,338	29.3	60	0.2
30,000	10,392	34.6	10,097	33.7	295	1.0
40,000	15,782	39.4	15,372	38.4	410	1.0
50,000	21,757	43.5	21,252	42.5	505	1.0

PIT STRIKE

Final cost to country put at £2,500m

By Jonathan Davis
Business Correspondent

The Government's first official estimate of the final cost of the miner's strike came from the Chancellor yesterday. He put the figure at £2,500 million in extra public spending, as well as a £4,000 million addition to the balance of payments and a cut in economic growth of one per cent.

The £2,500 million estimate is £1,000 million higher than any previous official Treasury estimate, and brings the Government closer in line with the estimates of most City economists. Until yesterday, the Government had insisted on making all its estimates of the cost of the assumption that the strike would have finished by Christmas.

Mr Lawson made it clear in his speech that there would be further public expenditure costs in the coming financial year, but repeated his view that the costs of giving in to the National Union of Mineworkers would have been even higher. The effect on the Public Sector Borrowing Requirement was even higher than the immediate impact on public spending. The PSBR was about £2,750 million more than the previous estimate in the 1984/5 year at £10,500 million, the Treasury estimated.

Mr Peter Walker, the Secretary of State for Energy, also gave estimates yesterday of the impact of the coal strike on the finance of the National Coal Board. Preliminary estimates from the board were that its deficit on revenue account in the current year is likely to be at least £1,850 million, with further losses next year, he said. The board will overshoot its external financing limit by more than £700 million.

Mr Walker confirmed that the Government will introduce a new Bill soon allowing further payments of debt grants to the board. The Bill is necessary because the cost of the strike has already exceeded that laid down in coal industry legislation.

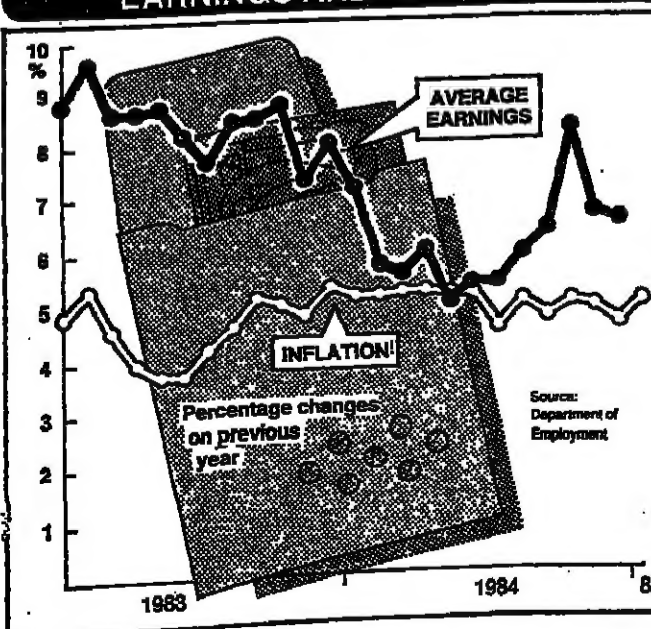
The cost of the strike pushed up the Government's public spending this financial year as a percentage of gross national product, in contrast to the Government's policy of trying to reduce the proportion. The Treasury's estimates of the impact on economic performance last year excluded knock-on effects such as those on firms who lost business as a result of miners' losing spending power.

The strike cut the coal industry's output by half, last year, the Treasury said, and also incurred extra costs for the electricity industry, which burned large volumes of oil in its power stations to keep the national grid supplied. No breakdown of the costs of the strike were given yesterday, however. Mr Lawson said he is expecting the end of the coal strike to add about three quarters of a percent to output this year.

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EARNINGS AND INFLATION



SHARE OPTION SCHEMES

Sale after five years to be tax free

By Ian Griffiths

The Chancellor has relaxed the rules relating to share option schemes. In future, employees will be able to sell shares acquired under such schemes after five years without attracting income tax.

Under the old rules, the shares had to be held for at least seven years before the proceeds

from sales were free of tax. The relaxation will extend to all shares allocations under an approved scheme, so that existing and new participants will benefit.

There will be no change in the arrangements for share disposals, which take place earlier than the new five year

release date. Shares will still have to be held in trust for an initial two year period. Sales of shares thereafter will attract income tax on a percentage of their value. Sales in three years or four attract income tax on 100 per cent of either the value of the shares when allocated or the proceeds of the sales,

whichever is the smaller amount. Sales in five years attract income tax of 75 per cent of that value.

Employees leaving a company before the new release date as a result of injury, retirement or disability will remain eligible for the special 50 per cent abatement charge.

SECURITY LAPSE

'Jokers' walk into chamber

By Richard Evans
Lobby Reporter

An amazing Budget day breach of security enabled a pair of "jokers" to penetrate the private confines of the Commons yesterday and get within a stone's throw of the Chancellor and virtually the entire Cabinet.

The two men walked in off the street, shrugged off supposedly tight police checks and wandered down stairs and corridors blocked off to the public before strolling into the press gallery just after Mr Nigel Lawson had started presenting his budget to a packed chamber.

They were finally stopped by a gallery attendant, Mr George Carey, aged 62, but still tried to carry on their bluff by pretending they had been invited by a newspaper.

Mr John Roberts, aged 42, of Egerton Terrace, Chelsea, London, and Mr Timothy Milner, aged 38, of Cholmley Gardens, West Hampstead, London, were just about to leave the Commons when they were stopped by the police, who had been alerted by The Times.

BACK SUFFERERS!

Stamp duty simplified
VAT on advertising
Mortgage interest relief

Effects on small businesses
Capital gains tax
Budget reaction

THE BUDGET

STAMP DUTY

Abolition of 15 separate levies simplifies tax at cost of £14m

By Alison Eadie

Stamp duty, one of the country's oldest taxes, has been simplified and modernized with the abolition of 15 duties.

The most important of them is 1 per cent gift duty which will bring in the Chancellor £10 million this year. It was payable on any gift transferred by document, as it is on documents that stamp duty is payable.

Contract note duty which brings in £4 million and is payable on sales and purchases of shares, gilts and loan stock will also be abolished. The duty was 10p on deals up to £500, 30p on deals between £500 and £1,500 and 60p on deals of more than £1,500.

The other duties, ranging from 5p duty on agreements pursuant to the Highways Act to 50p duty on powers of attorney, bring in so little money that the Inland Revenue has not quantified the loss.

Although the revenue loss is small—£14 million out of a total estimated tawol of £860 million this fiscal year—there will be a significant 40 per cent reduction in the number of documents liable to stamp duty. The savings in official time and effort will therefore be marked.

Also exempted from stamp

duty will be the transfer of a property on the break-up of a marriage. Such a transfer has been liable in some cases to 1 per cent sale duty, but will now be liable only to a 50p duty.

As announced in July 27 share exchanges on the occasion of a takeover will be exempted.

The main stamp duty earners—land and houses and stocks and shares bring in 50 per cent and 34 per cent respectively of all stamp duty—were left untouched. Last year's Budget halved the amount of duty payable to 1 per cent, reducing the income from stamp duty from £1,100 million in 1983/84 to £860 million this year.

The Stock Exchange, in its Budget submission this year, called for a continued phased reduction in stamp duty, pointing out that London was still the costliest big centre in the world in which to deal in stocks and shares, largely because of stamp duty. Government stocks and most categories of loan stock are exempt.

The Stock Exchange, however, was quite pleased with the Chancellor's measures last year, as they slowed down the accelerating interest in trading British securities in the form of American Depository Receipts.

A further reduction in stamp duty before the end of next year would not have been welcome, as it would have reduced the differences between jobbers and brokers before the exchange was ready. Jobbers pay only 50p stamp duty per transaction.

The threshold where stamp becomes payable on houses remained at £30,000 having been raised by £5,000 last year.

Stamp duty, although it is Britain's oldest tax having been introduced 300 years ago, raises relatively little revenue. Last fiscal year it brought in £1,100 million, with approximately half coming from duty on the transfer of land and houses and 34 per cent from the duty on the transfer of stocks and shares.

This year it is estimated to bring in £860 million after last year's Budget measures halving the stamp duty to 1 per cent, abolishing the tiered system on houses and raising the threshold on houses from £25,000 to £30,000.

Last year's measures did not go far enough for some of stamp duty's critics, most notably those in the City.

The Royal Institute of British Architects also urged the Chancellor to raise the stamp duty threshold on houses from £30,000 to £35,000.

BUILDING SOCIETIES

Mortgage relief kept at £30,000

By a Staff Reporter

Building society payments are to be brought forward to quarterly instalments as paid by banks, but there is to be no change in the £30,000 limit on mortgage interest tax relief.

The limit for tax relief on mortgage interest was raised from a maximum of £25,000 to £30,000 in last year's Budget. As Mrs Thatcher promised last year, the relief is not to be abolished, but nor is it being increased. The relief is available at the borrower's highest tax rate, but does not apply to any part of the mortgage loan above the £30,000 limit.

However, loans of more than this limit, which were previously excluded from the Mortgage Interest Relief at Source scheme introduced in 1983, can now join the scheme. MIRAS enables borrowers to make their monthly payments net of 30 per cent tax on the portion of their loan below £30,000.

Building societies will have to pay tax quarterly, like the banks, instead of once a year as they have done up until now. The move is to put them on the same footing as banks, which will start paying composite rate tax, a 25.5 per cent tax already imposed on all building society accounts, from April 6.

The quarterly payment of interest starting on March 1, 1986, will cost the societies around £40 million in lost interest. Last year, they paid a total of £2 billion in tax. The quarterly payments will fall in

May, August, November and February, which differ from the banks' payment date in order to smooth the flow of money to the Exchequer.

Building societies were also told they could now pay interest gross to non-residents of the United Kingdom, charities and registered friendly societies, as banks are already allowed to do.

The societies also welcomed the Chancellor's announcement that the limit of £30,000 on an individual's deposits with a single society to which composite rate tax applies is to be abolished. From April 6 this year investors will be able to deposit as much as they wish with a single society. The limit was one imposed by the Inland Revenue, but the societies have argued that it serves no useful purpose.

Recent Inland Revenue calculations suggest that the gross cost of the relief in the tax year 1984-85 amounted to £6.8 billion, compared with £5.1 billion two years ago. After the abolition of life assurance premium relief in last year's Budget, fears grew that the Chancellor's reforms would move next to pensions that receive tax relief on contributions, investment and capital gains and on retirement lump sum payments.

More than 230 MPs signed a Commons early day motion opposing the taxation of lump sums which were considered the most likely target for change.

PENSIONS FUNDS

Campaign on reliefs succeeds

By Richard Thomson

One of the biggest campaigns against tax changes ever conducted before a Budget ended in success yesterday as the Chancellor announced that tax relief on pension funds would not be touched.

The news brought relief to the pensions industry, employers and trade unions which had argued that withdrawing relief would increase employment costs and reduce pension benefits.

Mr Nigel Lawson, who called the campaign "unparalleled", also gave a commitment that if changes were considered in the future they would be preceded by public discussion and a Green Paper.

With 11 million people belonging to occupational pension schemes out of a working population of about 21 million, money "lost" by the Government in pension fund reliefs has risen rapidly.

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PETROL AND DERV

£2-a-gallon barrier broken on fuels

By David Young, Energy Correspondent

The new price of four-star petrol from 6pm yesterday was 203.6p with diesel rising to 200.4p a gallon.

Taxation on petrol now accounts for 53 per cent of its pump price, with duty at 81.4p a gallon and VAT at 26.6p a gallon taking the total to 108p a gallon. The tax on Derv is now 47 per cent of a gallon with excise and vat totalling 95p a gallon.

BP calculated that the average motorist covering 9,500 miles a year will spend £13 a year more on petrol. It said last night that the price rise would have a negligible effect on consumption, which is now running at a total of 16.5 million gallons a year in Britain with a projected 1 per cent rise this year.

The new price structure leaves the petrol station with a 7.3p a gallon profit margin and

the oil company receiving 88.3p a gallon, a level at which the oil companies are now making small profits.

By raising taxation on petrol and diesel road fuel the Chancellor has done precisely what the oil companies have been desperately keen to avoid doing—introducing the £2 a gallon barrier. The companies have been arguing that they need higher prices to cover increased crude oil costs but have been forced to keep prices down because of fierce competition for market share.

The new price structure is now making petrol sales marginally profitable after three months of losses for the oil companies. But there are fears that the new higher prices will reduce turnover.

A new wave of sales promotions is about to start on the forecourts.

VAT

Card firms absorb initial levy shock

By Peter Wilson-Smith

The VAT changes on credit card transactions, which will bring in an extra £20 million to the Government in a full year and £15 million in 1985-86, will push up costs for the credit card companies. But initially the card companies are likely to absorb this and cardholders are unlikely to be affected.

Barclaycard, part of Barclays Bank group, with 7.4 million card customers, said yesterday the impact would be marginal and the cost to the group would be only £4 million a year.

A spokesman for Access, the card issued by the other three big clearing banks, said there were no immediate implications for cardholders, although the service charge to retailers would have to be examined. The other card companies to be affected include American Express and Diners Club.

At present, card companies levy a charge on retailers on which VAT is payable at 15 per cent. The card companies collect this VAT for the Government but can offset against it the VAT they have paid out on expenditures. By classifying credit card transactions as exempt, the step Mr Lawson announced yesterday, the credit card companies will no longer be able to recover the VAT they have paid out and thus the Government will gain.

The Chancellor also announced a rise in registration limit for VAT from taxable turnover of £18,700 to £19,500 and a single quarterly registration limit of £5,500 (£6,200). Other VAT measures include relief for engineering and companies involved in the repair of imported goods, for instance aeroplane engines, for subsequent re-export.

ADVERTISING

Magazines and papers face VAT charge

The Chancellor announced that, with effect from May 1, value-added-tax will be extended to newspaper and magazine advertising.

The move is expected to raise an additional revenue of £30 million in 1985-86, £50 million in a full year. The tax change brings newspaper and magazine advertising into line with advertising in other media. It follows a challenge by the European Commission last autumn to certain of the United Kingdom's zero-rating, one of which was newspaper advertising.

The other main category, non-residential construction, escaped the Chancellor's attention in the Budget. In addition, Mr Lawson promised no further widening of the VAT net during the lifetime of this Parliament.

The Newspaper Society said that the imposition of VAT on newspaper and magazine advertising will have a major impact on cover prices, possibly pushing them up a much as 10 per cent in some cases.

Local and regional newspapers obtain 56 per cent of their advertising revenue from classified advertisements, the society said.

National newspapers, with a higher proportion of business advertising, are unlikely to be as severely affected since, in most cases, the VAT can be reclaimed by the businesses concerned.

The accountancy firm of Price Waterhouse has calculated that VAT on advertising will produce an overall drop of three per cent in advertising revenue, net of tax for the industry. Among regional newspapers, it has been calculated that the annual loss of revenue could be £8 million.

Paid-for newspapers will be thankful that the Chancellor has not imposed VAT on cover prices, which would have given an advantage to "freebies".

Even so, the industry has warned that VAT on advertising will put many titles at risk, both local newspapers and magazines.

The tax will be introduced on May 1. Newspapers and magazines may be able to delay the full impact of the tax by obtaining pre-payment for series of advertisements.

BOND ISSUES

Plan to ease pressure on lending

By Peter Wilson-Smith

The Government is taking steps to enable quoted companies to raise finance through regular issues of short-dated bonds of less than five years' maturity.

The move is a further attempt to stimulate the corporate bond market and take pressure off bank lending, making it easier for the Government to hit its monetary targets.

It requires technical changes to the 1979 Banking Act, exempting this type of financing from the provisions of the Act. At present regular issues count as taking deposits, and only recognized banks or licensed deposit-takers are allowed to take deposits from the public.

Issuing of short-dated bonds will be controlled by the Bank of England, whose powers will be extended accordingly. The Bank of England yesterday published rules covering sterling bond issues of between one and five years' maturity.

Only quoted companies or companies whose shares are traded on the LSE will be able to make such issues, which can be at either fixed or floating rates of interest.

The bonds will have to be issued with a prospectus or have a full listing. They can be issued or traded only in denominations of at least £100,000, and must have a minimum one-year maturity.

Companies will have to have prior permission from the Bank of England on the size and timing of issues, but they will be able to gain prior permission for the overall amount and then issue the bonds in stages.

The controls administered by the Bank of England and the requirement that companies have to be listed or be traded on the LSE are designed to give some protection to investors.

'A bridge for enterprise and jobs'

The measures to help small businesses—broadly welcomed, particularly the National Insurance and taxation changes—were seen as a disappointment especially that the threshold on Value Added Tax was not raised more than by the rate of inflation.

The National Insurance payments changes will widely benefit the self-employed. It could encourage more to go into business and goes some way to removing discriminations against the unincorporated business.

Fairer tax treatment for smaller, unincorporated businesses, typically the self-employed entrepreneur, had been widely called for ahead of the Budget. While such companies

lost stock relief and some capital allowances in last year's Budget they did not gain, like incorporated companies, from reductions in Corporation Tax.

While the National Insurance changes will probably have the most impact, small businesses will also gain from the relief at retirement from Capital Gains tax.

Most small business lobbyists had wanted to see a substantial rise in the Value Added Tax threshold because of the heavy administrative burden on small businesses. There had also been calls for revision of capital gain tax and capital transfer tax. If the review on wages councils leads to their having less influence it will cut the cost of employing people particularly

in smaller businesses struggling to get on their feet. What most in the sector would like to see is the abolition of the councils, at present only one option in the review announced by the Chancellor.

Value Added Tax relief on bad debts should remove an incentive to creditors to petition for a company to be wound up. This could save some struggling businesses from being driven to the wall at an early stage.

Mr David Trippier, Minister for Small Businesses, said: "Overall I welcome the Budget package particularly because it is a bridge for enterprise and jobs. It is an example of our commitment to the small firms sector which the Government recognises is a generator of

employment and wealth creating potential."

While welcoming the main Budget moves to help small businesses, Mr Stan Mendham, director of the Forum for Private Business, said: "The Chancellor has still left us on the rack of high interest rates. This will cause loss of jobs." Tax levels were still too high, he maintained.

The National Insurance changes did not go far enough for Mr Bill Footen, president of the Union of Independent Companies. Anybody earning less than £100 a week should have been released from all forms of National Insurance and tax, he said.

BUSINESS EXPANSION SCHEME

Property developers excluded

Property developers will no longer be able to raise finance under the Business Expansion Scheme following the Chancellor's announcement that they do not rank as a qualifying trade. Building and construction companies will be unaffected by the change.

However, the Chancellor has slightly widened the scope of the scheme and, in future, research and development companies will be able to use the BES to help raise money. The change for these companies applies to shares issued after April 5 1985.

The exclusion of property development companies is immediate, although it will not affect relief in respect of shares issued on or before March 19.

Last year he excluded farms from the scheme and in recent months the growing number of

property developers making use of the BES has attracted criticism from those who believe that the scheme was being abused for tax avoidance.

The BES was established in 1983 to replace the Business Start Up Scheme and has become very popular with the City. In 1983-84 it attracted investment of about £80 million. It also offers substantial tax benefits.

The scheme provides tax relief at the investor's marginal rate of taxation for up to £40,000 a year in shares of unquoted British companies. This offers an attractive combination of tax relief and an investment in relatively safe assets.

The scheme was, however, intended to encourage small businesses to grow and not to help finance property development.

The Government has commissioned a review of the scheme by Peat Marwick, the accountants. This is investigating the use and practical workings of the scheme and should produce some evidence on whether funds are being ploughed into the right kind of business. The report is due to be completed in the summer.

Some tax advisers had been hoping that the Chancellor would improve the flexibility of the scheme. It has rigid restraints on the activities of qualifying companies and also on the investors and the timing and availability of the tax relief.

The Chancellor's failure to make the scheme more flexible will therefore come as a disappointment. It now seems that no substantial overhaul can be expected until after the Peat Marwick review is completed.

Chancellor has it right, CBI chief says

Sir Terence Beckett, director-general of the Confederation of British Industry, said: "The Chancellor has got it right; interest rates should fall because he is keeping a grip on inflation and on borrowing. This Budget ought to be good for growth and jobs; that is the acid test."

"We very much welcome restraint on the tax treatment on pensions," he said. "We have been calling for a two-year youth training scheme, and this is a real step forward."

"Naturally, we need to know the financial plan and want time to discuss the quality of training. We will do all we can to make it succeed."

Sir Terence went on: "The CBI is pleased that there will be fairer treatment for companies investing in short-term assets, as we urged. But many employers will be disappointed that nothing else was done to smooth the transition between the old and the new system of

capital allowances for investment."

"On jobs, 800,000 people will be lifted out of the income tax net. The tilt in national insurance contributions should also help people to get work, that is good news for employment."

"The Chancellor's undertaking to consult on further changes in income tax and national insurance contributions and benefits is very much welcomed. The CBI was calling for this."

Mr Jack Newby, director-general of the Building Employers' Confederation, said the Chancellor could have created many more permanent jobs by enabling greater investment to be made in building programmes.

"Nevertheless the industry welcomes the abolition of the development land tax, which should result in landowners releasing more land for housing," he said.

"The building industry also

welcomes the Chancellor's commitment to continue resistance to EEC pressure to impose 15 per cent VAT on new commercial and industrial building. Any move in this direction would have threatened further job losses in an industry where already over 400,000 workers are unemployed."

But he added: "The BEC regrets that the Chancellor, far from reducing the VAT registration threshold to nil to

combat the menace of cowboy operators, marginally raised the limit. This can only boost the black economy at the expense of bona fide builders."

The Royal Institution of Chartered Surveyors also welcomed the assurance of continued opposition to VAT on new buildings. But Mr Geoffrey Townsend, President of the Institution, said the Chancellor had done little or nothing to remove the shackles on public sector spending.

CORPORATION TAX

Allowances aligned with plant depreciation

By Ian Griffiths

After last year's sweeping changes and reform of corporation tax the Chancellor did not find it necessary to make too many adjustments to the current regime in this year's Budget. However, there are still some amendments to the capital allowances system.

New arrangements will be introduced which will bring tax allowances in line with the actual depreciation of machinery or plant when it is sold or scrapped within five years of acquisition. This is not generally possible at present.

In future, where an item of plant or machinery, which is bought on or after April 1 1986, is disposed of at less than its tax written-down value within a five-year period beginning in the year of acquisition, then it will become possible to elect to have the capital allowances relating to that item calculated separately from the main machinery or plant pool. This will be known as de-pooling.

The separate calculation will allow the balancing adjustment to be made on a disposal but if the plant or machinery has not

been sold by the end of the five-year period, then its tax written-down value will be transferred to the main machinery pool.

This kind of election will be used most frequently by companies which use a lot of high technology equipment. This has a much shorter asset life than traditional plant and equipment and is, therefore, written off more quickly.

The de-pooling arrangements will not apply to items of capital expenditure which are dealt with outside the main pool, such as cars and assets leased to non-traders.

The Finance Bill will also include minor changes to the capital allowances system which have already been announced. These measures include the rates at which allowances can be charged and timing of writing down allowances.

The Chancellor has decided that he will not reduce that rate of allowances which can be claimed on scientific research expenditure. This will remain at 100 per cent although there will be some minor changes in the scope of the allowance.

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Cars relief reduced
National Savings target
Futures trading boost

COMPANY CARS

Rise of 10%
in benefit
scale rates

Changes in the amount of tax payable on company cars are as expected. The scale rates for car "benefits in kind" have been increased by 10 per cent and the average employee driving a company car, who was deemed to be receiving a benefit in kind worth £410 in 1985-86, will be deemed to be receiving £450 of taxable car benefit in 1986-87.

Most disappointing for recipients of company cars is the Chancellor's failure yet again to raise the threshold for "high-paid employees" from its 1979 level of £8,500.

All employees with earnings above that threshold who benefit from a company car will be subject to the new rates. Similar 10 per cent increases are to be introduced on car-fuel benefits.

CAR BENEFIT - 1985-87 (1985-86)
Cars with original market value up to £19,250 (£17,500)

Cylinder capacity	Age of car at end of relevant year (in years)	Under 4	4 or more
Up to 1300cc		450(410)	300(275)
1301cc - 1800cc		575(525)	380(350)
Over 1800cc		900(825)	600(550)

Brewers predict price rises
will lead to job losses

ALCOHOL

Alcoholic drink sales - already in the doldrums except for table wines - are expected to slide in the wake of the Budget increases. It could bring a threat to jobs both in the beer trade and in the Scotch whisky industry.

Even the boom in table wine sales could falter as this increasingly popular tipple shares the burden of additional excise duties and taxation. The Chancellor had been easing duties on table wines compared with those of beer to meet a European Court ruling and in last year's Budget he cut table wine prices by 18p a bottle. Last year, wine sales rose 16 per cent or more.

This time round he has added 6p to a bottle of table wine. An increase in line with inflation would have raised the price by 4p.

HOW BEER PRICES HAVE RISEN
Average bitter price in the public bar

	p		p
1960	6	1979	34
1970	11.5	1980	40.5
1974	15	1981	49
1976	18.5	1982	54.5
1978	23	1983	61
1977	26.5	1984	68
1978	28.5	1985	69.70

Source: Brewers' Society

CIGARETTE SALES

6p rise likely to
hit tobacco jobs

Declines in tobacco consumption, particularly of cigarettes, are expected to accelerate in the wake of the Chancellor's changes as soon as stocks at pre-Budget prices run out in the shops in about a month.

The tobacco industry has already given a warning that more jobs could be at risk in Britain if the Budget raised taxation by more than the rate of inflation. That would have restrained the duty and tax increase to 4p at the most but the Chancellor added 6p to a packet of 20 cigarettes.

In last year's Budget cigarette tax went up 10p and sales plunged, ending the year 2.5 per cent down as demand to an extent was re-established later in the year. In the 12 months to August 1984 about 2,500 jobs were lost after a number of tobacco factory closures. Some jobs disappeared in productivity deals but the industry largely blamed high taxation.

What increases the threat to British jobs are increases in imports, now accounting for about 4 per cent of the cigarette market.

Under the impact of the imports surge consumption of British-made cigarettes dropped by 3.2 per cent last year. Own-label cigarettes sold by grocery

How cigarette sales have declined

	millions
1975	132,600
1976	130,500
1977	125,900
1978	125,200
1979	124,300
1980	121,500
1981	110,300
1982	102,000
1983	101,600
1984	99,060

Source: trade returns

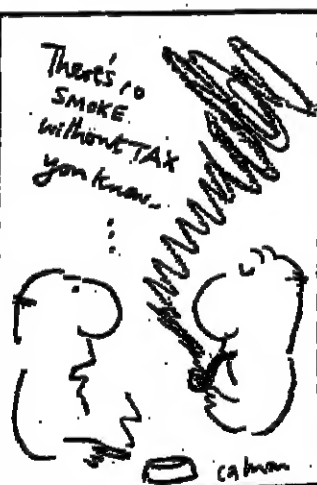
and other chains are partly made abroad.

These and other low-price brands have about 8 per cent of the market, selling at about £1, while the best selling king-size cigarette, Benson and Hedges special filter made by Gallaher, has had a recommended price of £1.29.

Many jobs in tobacco manufacturing are in areas of higher unemployment. But for every job at risk in manufacturing another seven could be under threat among suppliers, such as filter and paper makers, and in the distribution chain including tobacconists and newsagents.

Although cigars are the least heavily taxed tobacco products except for snuff, which carries no excise duty, sales have been drifting down since 1979. Tax on cigars accounts for half the retail price. The tobacco industry had urged the Chancellor not to increase taxation levels because it was believed that the present taxation burden was probably the most cigars could stand without a disproportionate drop in sales. That would hit tax revenue.

Pipe tobacco had now escaped a tax increase for three years running but over 10 years sales have plunged by 36 per cent. Tax on pipe tobacco is about two thirds of the retail price; on cigarettes it accounts for about three quarters of the retail price. Nearly half of pipe smokers are men aged 60 and over.



FUTURES

Taxation
on equal
footing

By a Staff Reporter

London's futures markets have won their battle to have transactions taxed in the same way as equities. Mr Lawson proposed yesterday that profits from futures transactions which are not part of a trade should be treated as capital gains.

Under the rules currently applied such transactions may be taxed under Schedule D, Case VI, that is, as non-trading income. The futures exchanges argued that this treatment of gains as income rather than capital placed their business at a competitive disadvantage with equities.

The change to capital taxation, which applies to commodity and financial futures and to options, was welcomed last night by the London Commodity Exchange and the London International Financial Futures Exchange.

But the tax treatment of futures contracts which run to delivery, rather than being closed out before maturity, will still be by the existing rules.

SAVINGS

£3 billion
target
decided

The personal savings industry yesterday welcomed the Chancellor's statement that some £3 billion of the next year's public spending borrowing requirement would be financed through National Savings. The figure is the same as the target for 1984/5.

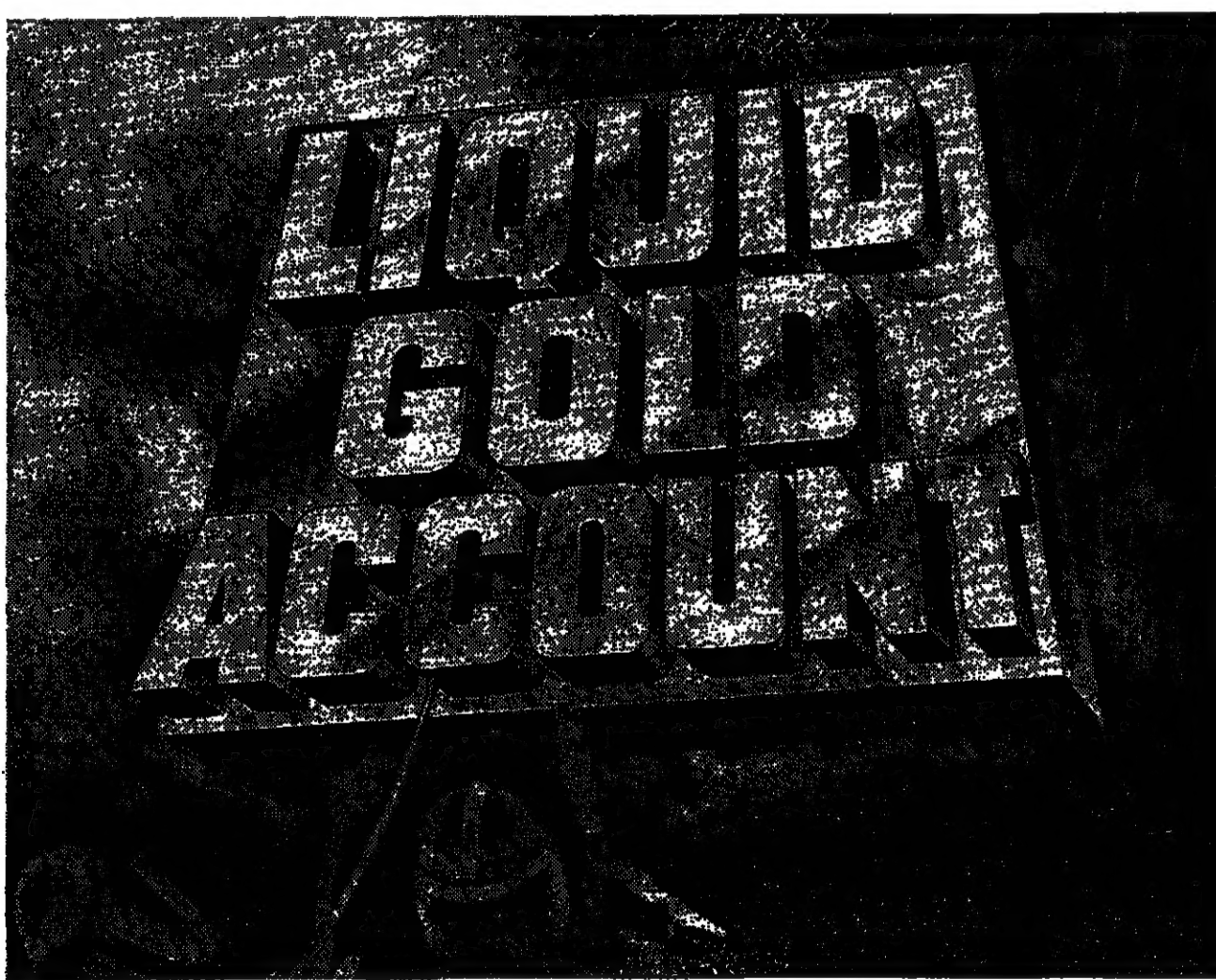
Mr Mark Boleat, deputy general secretary of the Building Societies Association commented: "This is a modest target for next year. It would have had to be a considerably larger figure to have any effect."

With one month to go the department of National Savings still has a net £1230 million to pull in before the end of the financial year.

However, in the first half of the year National Savings fell well behind its funding target of around £250 million per month. In order to catch up it disrupted the savings markets by launching its twenty-eighth issue savings certificate offering interest well above the prevailing market rates.

It became the fastest selling certificate ever, attracting £693 million gross in four weeks but forced building societies to raise their investment and mortgage rates to compete.

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PERMANENT
BUILDING SOCIETY

LGA/TT/203

**National Insurance
Company taxation
Land tax abolished**

MULTINATIONALS

Companies escape tax changes

By Ian Griffiths

Multinational companies have escaped any serious restriction of their international tax planning activities.

The Inland Revenue said yesterday that no legislation on companies with dual residence would be introduced this year, although the matter is being kept under review.

There had been a suggestion that such companies would have been affected and those to suffer most would have been the so-called link companies.

The use of link companies has increased recently. They are set up when a British company invests in a US subsidiary and needs to finance the acquisition with borrowings. The link company is registered as a US corporation and located offshore, but it is wholly managed and controlled from Britain.

This way the link company, which is inserted in the group structure between the British holding company and the US subsidiary, becomes resident for tax purposes both at home and in America.

The borrowings are held by the link company which is therefore able to obtain tax relief, through the group relief provisions, on the interest payable on the loans both in the US and Britain. With corporation tax rates of 46 per cent in the US and 45 per cent at home this meant a company could obtain relief for 91 per cent of its interest payments.

Restriction on tax loss relief

The tax relief which a limited partner will be able to claim for losses incurred in the partnership will be restricted in future to the amount actually put into and at risk in the partnership. The Chancellor announced that the restrictions would apply to individual and company limited partners.

In most partnerships each partner is responsible for all the partnership's losses. In a limited partnership, however, only one partner need have unlimited liability, with the limited partners having their responsibility restricted to the amount they contributed to the business. The new rules will prevent a limited partner from obtaining unlimited relief for his share of losses.

NATIONAL INSURANCE

End of higher earnings limit on employers' contributions angers firms

By Lorna Bourke

In a £800 million package of National Insurance reforms, the Chancellor astounded employers by abolishing the higher earnings limit for employers' contributions.

In the past, employers have paid National Insurance contributions on the same basis as employees: a fixed percentage on earnings below a ceiling. In 1985-86 that ceiling was due to be raised to £265 a week or £13,780 a year and the employer's contribution stood at 10.45 per cent of employees' earnings below this level.

However, the Chancellor has decided to abolish the upper earnings limit from October, 1985, making all earnings subject to the 10.45 per cent National Insurance levy.

Employees' contributions on earnings above that ceiling remain unaffected. They will continue to pay National Insurance contributions at 9.0 per cent on earnings above that ceiling.

The move to extend employers' contributions was greeted with alarm by the Institute of Directors.

Mr Graham Mather, of the institute, said: "We obviously welcome the changes at the lower end of the scale but we feel that it may prove to be an expensive way of introducing wage flexibility. Abolishing the

higher income ceiling for employers' contributions turns the National Insurance system into another tax.

In high technology and service sector companies, it makes taking on skilled employees more expensive."

The abolition of the ceiling on employers' contributions will affect those industries with a high proportion of highly paid employees more heavily than others. Industries likely to suffer most will be newspapers, computer hardware and software companies, advertising and public relations, and other growth industries suffering skill shortages which force up wages.

However, at the bottom end of the earnings scale, the Chancellor has made some concessions in an attempt to stimulate employment amongst school-leavers and the unskilled.

For employees earning less than £35.50 a week, the new lower earnings threshold, they will continue to be exempt from National Insurance contributions.

Employees earning more than £35.50 a week and up to the new 1985-86 higher threshold of £265 a week could have expected to pay National Insurance contributions of 9 per cent. However, the Chancellor has introduced lower contribution levels of 5 per cent for those earning between £35.50 and £55 a week.

The estimated cost to employers of abolishing the higher earnings limit for employers' contributions is £800 million a year.

The self-employed have also been granted concessions. They are to be allowed to offset 50 per cent of their Class 4 National Insurance contributions, the profit related element, against gross earnings before calculating their income tax liability. That new relief comes into operation on April 6 this year.

WAGES COUNCILS

Green Paper poses serious abolition threat

By David Felton, Labour Correspondent

A Green Paper discussing the possible abolition of wages councils will probably be published tomorrow and is likely to cause a storm of protest from trade unions representing low-paid workers.

Government action against wages councils, which regulate minimum pay for about 2.5 million workers, is part of the drive to remove what ministers regard as constraints on the labour market. The consultation paper will enable employers and unions to voice

their preferences for the future of the councils.

The paper is likely to present at least three options, ranging from complete abolition of the councils and reforming measures to retaining them in their present form. Ideas suggested for changes include removing the pay of young people from the auspices of the councils.

The Chancellor said in his speech that the Government believed they were responsible for destroying jobs, and argue

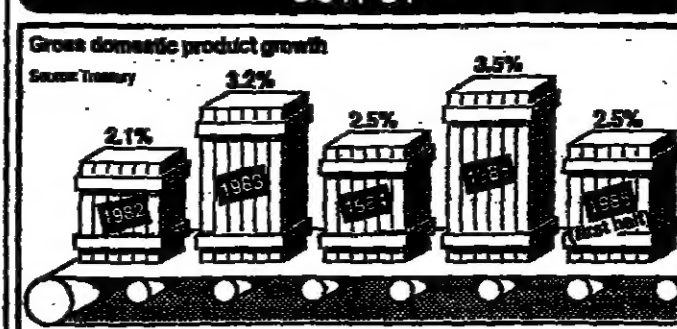
that guaranteeing what they regard as unrealistic rates of pay for young entrants into job inhibits employers' willingness to take on extra staff.

There are 26 wages councils with a million of the workers covered operating in the retail and catering sectors, while there are also covered include clothing manufacture and hairdressing. The councils were established to ensure that fair wages were paid to workers who were not well organized by trade unions.

The British Government is a

signatory to the International Labour Organization convention on guaranteeing minimum rates of pay and in order to withdraw from that convention at the next opportunity the Government would have to give notice in June. There would then be a 12 months period before Britain was no longer bound by convention, which would seem to indicate that the Government will at least give notice of possible abolition of wages councils by June.

OUTPUT



Dismissed rights after two years

By Frances Gibbs, Legal Affairs Correspondent

Employees will lose the right to bring a claim against employers for unfair dismissal unless they have held a job for two years under proposed changes in employment protection law announced by the Chancellor yesterday.

At present employees can bring such claims after serving a one-year probationary period in all firms but those with 20 or fewer employees. Now the two-year qualifying period that applies to those small firms is to be extended to all firms.

Mr Tom King, Secretary of State for Employment, said: "The risk of unjustified involvement with tribunals in unfair dismissal cases and the cost of such involvement are often cited as deterring employers from giving more people jobs."

The change should reduce employers' reluctance to take on more people while preserving fair balance between the reasonable interests of employer and employee, he said.

The new order which will change the law has yet to be debated by Parliament, but could be in force by the summer. It will affect only employees taken on after it has come into force and not the rights of anyone at present employed.

A Department of Employment spokesman said yesterday: "Our postbag tells us that employers do regard the employment protection legislation as a deterrent; something to be frightened of. Many employers are worried that if they take people on they cannot sack them and that may be stopping them from offering jobs."

Under the Employment Protection (Consolidation) Act 1978 employees have the right not to be unfairly dismissed by their employers. The Secretary of State has power to vary the qualification period by which such rights come into effect.

The concept of unfair dismissal was first contained in the Industrial Relations Act 1971. At that time the qualifying period for an unfair dismissal claim was two years. That was reduced to one year in 1974 and six months in 1975. It was then increased in 1979 to one year, and to two years for firms with 20 or fewer staff in 1980.

There were 30,076 complaints of unfair dismissal to industrial tribunals in 1983 of which one third proceeded to a tribunal hearing. Unfair dismissal claims account for about three quarters of all complaints to industrial tribunals.

The rights apply to employees working for 16 or more hours a week. Those working for eight hours or more but fewer than 16 will still have to serve a five-year probationary period before they can bring an unfair dismissal claim.

DEVELOPMENT LAND TAX

Property industry welcomes end of 'time-consuming' tax

Development Land Tax (DLT) has been abolished as from last night, a move which will be welcomed by the property development and construction industries.

The Chancellor said the tax was scrapped because it discouraged land being put forward for development, which would be made worse by the widening gap between DLT at 60 per cent and corporation tax which is being reduced to 35 per cent. All deferred DLT is to be cancelled immediately.

Development gains will in future be liable to income tax, capital gains tax or corporation tax. DLT arrears will still be collected.

The Government stands to lose £20 million net in the financial year 1985-86 from abolishing DLT, and £30 million in the full year.

On the other hand the tax was costing £5 million a year to collect. Assessing DLT has always been extremely complicated involving as Mr Lawson said, wading through 200 pages

of legislation to find out if there was a liability. The development industry will welcome the move with open arms. It believes that more land will be developed and the process of getting schemes out of the ground will be speeded up.

Establishing if and when DLT was payable could be a time consuming process which hit projects where land values were a major element of the cost rather than central city schemes which are more profitable.

Development Land Tax was introduced in 1976 by the Labour Government. Its intention was to claw back a substantial part of what were seen as windfall gains made on all forms of land ownership and development.

The tax was introduced against a background of rapidly rising land prices and was a backlash against what were regarded as huge profits being made by developers on the granting of planning permission.

OIL EXPLORATION

Search for onshore fields likely to slow

David Young, Energy Correspondent

Exploration for onshore oil is likely to slow as a result of changes in the rules for offsetting exploration and well-testing expenses on onshore fields against taxation on oil-producing wells in the North Sea.

Oil companies will have to analyse the full effect of the tax changes, but industry analysts are already calculating that up to a dozen of the smaller firms will be adversely affected.

In future, onshore exploration costs cannot be offset against Petroleum Revenue Tax, although the concession introduced in 1983 to stimulate the search for oil in the United Kingdom will still apply to offshore operations.

However, several smaller companies have bought shares of the production of the BP Forties Field and the Occidental Claymore unit to take advantage of the tax concession and

defray their onshore exploration costs.

The Chancellor's view, however, is that as onshore oil exploration costs are so low compared with offshore costs, the benefit should go solely to offshore exploration.

The oil industry, as well as being surprised, is also disappointed that no tax concession has been introduced to stimulate incremental production and enhanced recovery from existing North Sea fields.

Oil companies have been suggesting that a 25 per cent incremental investment allowance would encourage high-technology underwater production systems.

But the Chancellor has been aware that the introduction of such allowances would have been criticized as being a hand-out to extremely profitable companies in a booming industry.

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Chancellor's proposals to combat scourge of unemployment

COMMONS

Mr Nigel Lawson, Chancellor of the Exchequer, began his second Budget statement by saying: In last year's Budget statement I charted the course for this Parliament. Today I reaffirm the Government's determination to hold to that course, the purpose of which is nothing less than the defeat of inflation. We have not wavered from that purpose. Nor will we.

But the defeat of inflation, essential though it is, is not enough. We must also do what we can to combat the scourge of unemployment. Nor is there any conflict between these two objectives. So my Budget today has two themes: to continue the drive against inflation and to help create the conditions for more jobs.

I shall begin by reviewing the economic background to the Budget. I shall then turn to the medium-term financial strategy, with monetary policy, and with the fiscal policy, both this year and next. I shall then turn to the Government's proposals for measures to implement that strategy. These will involve action on a number of fronts, including both tax reduction and tax reform.

I start with the economic background. Once again we can look back on a year of steady growth and low inflation. During 1984 as a whole, inflation remained at around 3 per cent. Output grew by a further 3 per cent, while investment rose by 5 per cent and non-oil exports by 4 per cent, to reach all-time record levels in each case.

Manufacturing industry recovered particularly strongly, with output up by 3.6 per cent, the biggest rise in any single year since 1973 - exports up by 10 per cent and investment by 13 per cent. The current account of the balance of payments has remained in surplus, for the fifth successive year, by international standards, too, the economy has performed well.

Our growth was above, and our inflation below, the European Community average. Moreover, this progress has been achieved in the teeth of the coal strike, for which, in the short term, the nation has had to pay a heavy price. In the current financial year the coal strike has reduced the level of national output by over 1 per cent and worsened the balance of payments by some £4 billion. It has increased public expenditure by £2.5 billion and public sector borrowing by £2.4 billion. It has cost us confidence abroad and jobs at home.

But the costs, both economic and constitutional, of submitting to this strike would have been infinitely greater than the costs that have been incurred in successfully resisting it. And it is a remarkable tribute to the underlying strength of the British economy that it has been able to withstand so long and damaging a strike in such good shape.

Looking ahead, we are now about to embark on what will be the fifth successive year of steady growth, with output in 1985 as a whole set to rise by a further 3 per cent. Inflation may edge up for a time, perhaps to 6 per cent by the middle of the year, but should then fall back to 3 per cent by the end of the year and lower still in 1986.

While there can be no disputing the strength and durability of the economic upswing, there is equally no disputing the fact that it is underlain by an unacceptably high level of unemployment. And this despite the fact that the latest figures suggest that employment has risen by half a million over the past two years, with a further increase likely over the year ahead.

If at home the past year has been overshadowed by the coal strike, internationally it has been dominated by the relentless surge of the dollar, which rose by a further 20 per cent against the major European currencies. To finance its massive budget deficit the United States is importing a large part of the rest of the world's savings and exporting some of its own inflation.

This is not a sustainable state of affairs. As Federal Reserve Chairman Paul Vicker last month testified to Congress, the United States is living on borrowed money and borrowed time. But meanwhile it is not only America that is paying the interest.

All this has led to one of the most turbulent years in the financial markets within living memory. It has been, and will continue to be, a time for strong nerves and sound policies.

There is nothing sacrosanct about the precise mix of monetary and fiscal policy. But this is not the year to make adjustments in either direction. The wisest course is to stick to our preannounced path.

This means that, for the coming year, a substantial reduction in the PSBR must take precedence over our objectives for reducing the burden of tax.

Given the need to ensure that the budget deficit is of no size that can be sustained, lower taxes can only be achieved by maintaining the firmest possible control of public expenditure.

Controlling public expenditure is one of the most difficult tasks facing any democratic government in the modern world. Public expenditure acquires its own momentum and creates its own vested interest. It requires constant vigilance, and a determination to succeed despite the inevitable setbacks.

We have that determination, and have succeeded in bringing the growth of public spending below that of the economy as a whole. This achievement has required difficult decisions, and a reduction in public expenditure reviews.

But there is no benefit to sound economic management or effective control from sticking to public expenditure figures which subsequent events have made unattainable.

tion and free markets: to press ahead with privatisation and to improve incentives.

The argument over which will have a bigger impact on demand, increased public expenditure or lower taxation, completely misses the point.

The case for lower taxation rests on supply side policy: lower taxes will have a bigger impact on demand, increased public expenditure or lower taxation, completely misses the point.

The great mistake of postwar demand management, which still has some devotees today, was to react to rising unemployment by injecting more money into the system, whether through the Budget or through the banks. So far from halting the upward trend of unemployment, this simply generated runaway inflation. That course we will not follow. (Conservative cheers)

A policy for demand expressed unambiguously in terms of money provides a further important advantage, for it ensures that wage restraint will provide more jobs. I repeat today the undertaking I gave the National Economic Development Council last month: the medium-term financial strategy is as firm a guarantee against inadequate money demand as it is against excessive money demand.

Within the MTF, the central role is played by monetary policy, for it is by controlling the growth of money in the economy that the Government is able to influence the growth of money demand.

Last year's target ranges of 4-8 per cent for narrow money and 6-10 per cent for broad money. Over the 12 months to mid-February, the targeted measure of narrow money grew at an average of 4.5 per cent, and that of broad money at just below the top of its range.

For next year I shall be retaining the same two target aggregates. I attach equal importance to both. The target ranges for 1985-86 will be those indicated in last year's MTF - that is to say, a reduction in monetary growth of 1 per cent in each case.

There are those who argue that if we stick to sound internal policies the exchange rate can be left to take care of itself. In the long run that may well be true. But significant movements in the exchange rate, whatever the cause, can have a price level and on inflationary expectations. This process can acquire a momentum of its own, making sound internal policies harder to implement. So benign neglect is not an option.

That is why I have repeatedly argued that it is necessary to take the exchange rate into account in judging monetary conditions. There is no mechanical formula which enables us to balance the appropriate combination of the exchange rate and domestic monetary growth needed to keep financial policy on track. But a balance still has to be struck, and struck in a way that takes no chances with inflation.

For there can be no doubt about the Government's commitment to maintain monetary conditions that will continue to bring down inflation. Short-term interest rates will be held at the level needed to achieve this.

While monetary policy is at the heart of the medium-term financial strategy, it needs to be buttressed by an appropriate fiscal policy.

The outcome for the public sector for 1983-84 was £9.2 billion, or 3.4 per cent of GDP. In my Budget last year I planned to reduce it substantially in 1984-85 to £7.4 billion, or 2.4 per cent of GDP. In the event, this year's PSBR is turning out at £11.0 billion, or 3.4 per cent of GDP - the same as last year.

All but £2.5 billion of this substantial overrun is directly attributable to the cost of the coal strike, which has added to the cost of the strike, but also to the cost of the large and once-off cost of keeping the economy going through the coal strike by borrowing, thus in effect spreading the cost over a number of years. But it is now necessary to return to the path I outlined last year.

That means that the PSBR for the coming year, 1985-86, will be set at £7 billion, equivalent to 2 per cent of GDP. As this year, some £3 billion will be financed through National Savings.

I have been urged by some to provide for a still lower borrowing requirement in order to impress the financial markets. Others have argued that a still higher level of interest rates would justify a more relaxed fiscal stance.

There is nothing sacrosanct about the precise mix of monetary and fiscal policy. But this is not the year to make adjustments in either direction. The wisest course is to stick to our preannounced path.

This means that, for the coming year, a substantial reduction in the PSBR must take precedence over our objectives for reducing the burden of tax.

Of these, the most important has been the coal strike, whose public expenditure cost in 1984-85 is estimated at some £2.5 billion - about £1 billion more than allowed for in the budget. The White Paper, which explicitly assumed that the strike would end at Christmas, There would also be some further cost in 1985-86.

It now looks as if this year's public expenditure planning total will be exceeded by nearly £3.5 billion, of which over two-thirds is attributable to the coal strike. But quite apart from the coal strike, the upward pressures on public spending remain intense, not least from increased take-up of social security benefits and further local authority overspending. In addition, since the White Paper was prepared, we have had to accommodate the effects of higher interest rates and a lower exchange rate.

I have therefore reassessed the adequacy of the Reserves for 1985-86, 1986-87 and 1987-88 provided in the January White Paper. In order to provide a more realistic basis on which to plan and control the level of public spending, I have judged it prudent to add £2 billion to the reserve and thus to the White Paper planning totals for each of the three years. At the same time, I have further increased the estimate for debt interest in each year.

These increases in the size of the reserve will raise the planning totals for the next three years by about 1½ per cent. But let there be no misunderstanding. The totals still represent a tough target. No extra cash has been allocated to individual programmes. Calls on the Reserve will still be judged on the strictest criteria. There is no cushion in our determination to curb the size of the public sector.

Public expenditure will continue to fall as a proportion of GDP, as it has, the coal strike apart, since 1981-82. Expenditure is planned to stay broadly flat in real terms at about this year's level, excluding the costs of the coal strike. To achieve even these new figures, future public expenditure surveys will have to be at least as tough as the previous ones, and there can be no let-up in the tight control of individual spending programmes within the cash limits set for the coming year.

On the other side of the public accounts, tax receipts, too, are now expected to be higher for the next three years, and partly for real reasons. But not by as much. The scope I have for tax cuts this year is therefore only half the amount I indicated might be available in my statement to the House in November. In other words, the net effect after introduction of the measures I shall shortly announce will be to contribute some £3 billion to the £7 billion borrowing requirement I have set for 1985-86.

One of the most long-standing problems in this country is our failure to provide enough jobs adequately for work. Since it was first launched in 1983, the Youth Training Scheme has proved to be a very successful bridge between school and work. It has also helped to make young people's pay more realistic.

But too many trainees are still reluctant to accept rates of pay which reflect their inexperience, and too many employers will fail to recognise that training is an investment in the economy, not a cost. This is in marked contrast to our major competitors overseas.

The Government has therefore decided to promote a substantial expansion of the Youth Training Scheme. Provided employers contribute their share of the cost, the Government is prepared to provide further funds to launch this new initiative, over and above the existing £800 million a year of public expenditure on the YTS. The expanded scheme would offer places lasting two years for 16-year-olds and one year for 17-year-old school-leavers, leading to a recognized qualification.

The main aim of all this is a better qualified workforce. It would also be a major step towards our objective of ensuring that every youngster under the age of 18 will either be in full-time education, in a job, or receiving training, with unemployment no longer an option. But first we have to get the expanded scheme in place. It will require the active co-operation of employers, trade unions and school-leavers, which I am confident will be forthcoming.

The existing YTS provides foundation training and preparation for work. The expanded scheme will also involve occupational training for both the employed and the unemployed, geared to the needs of business and industry. In the long run, we expect employers to meet the full cost, as they do in other countries. But I recognize that such a major change in attitudes will take time. We are therefore prepared to set aside a fixed sum in public funds to launch this new initiative and get it moving in the right direction.

The Secretary of State for Employment (Mr Tom King) will be arranging consultations through the Manpower Services Commission about the quality of the training, the share of the cost to be borne by employers, and the level of trainee allowances. We aim to complete these consultations by the end of June so that a second year will be available for as many as possible of the 16-year-olds leaving school this year.

Provided the outcome is satisfactory, I have undertaken to increase the Department of Employment's programme by £12.5 million in 1987-88. This will be partly offset by savings in social security payments and the ending of the Young Workers Scheme which began Mr Canavan's Bill was carried by 103 votes to 4 - a majority of 99.

Mr Canavan said to laughter: I am pleased to see such a good attendance for the first reading of the Bill. I hope I get a similar attendance at second reading.

The Chancellor had been getting away with economic murder. He was a record-breaking Chancellor. He had probably broken more records than Kenny Dalglish except that Mr



world today, for nothing is easier for a Government than to borrow and spend. Impudence is a bad counsellor.

In setting financial policy for the year ahead I have had one object in mind: the continuing reduction of inflation.

Equally, in deciding my individual Budget proposals within that overall framework, I have sought throughout to make those changes that will do most to promote enterprise and enterprise-mindedness. Our attack on the evil of unemployment is clear, current and strong. My Budget today represents a further step along the road we have been taking since 1979. It will help us to ensure that more new jobs are created and that they will be jobs that last.

TRAINING

YTS scheme expanded

I begin with some measures directly related to employment and training.

One of the most long-standing problems in this country is our failure to provide enough jobs adequately for work. Since it was first launched in 1983, the Youth Training Scheme has proved to be a very successful bridge between school and work. It has also helped to make young people's pay more realistic.

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will close for applications at the end of March 1986.

I am also providing the MSC with an additional £30 million in 1986-87 to finance a programme of appropriate in-service teacher training courses.

It has become increasingly evident that our output of graduates in high technology disciplines is not keeping pace with the expanding needs of industry. The Secretary of State for Education and Science (Sir Michael Jay) will therefore be announcing later today a special programme, costing around £40 million over the next three years, to provide additional places in engineering and technology at selected higher education institutions.

In this case, the cost will be met from within existing public expenditure programmes.

While school-leavers are catered for by the Youth Training Scheme, there remains the problem of the long-term unemployed, genuinely seeking work. Under the Community Programme, local authorities and voluntary bodies provide temporary work for the long-term unemployed on projects of community benefit. This scheme, which at present provides 130,000 places, has proved its worth, with a significant proportion of those who leave it going on to other jobs.

I have therefore agreed to make further available to the scheme an additional 100,000 Community Programme places by June 1986. These places will be for 18 to 24-year-olds who have been unemployed for over a year.

To accommodate this, the Department of Employment's programme will be further increased by £140 million in 1985-86 and £460 million in 1986-87.

To an even greater extent than with the YTS, the net public expenditure cost will be substantially less than the gross cost, because of savings in social security benefits. The net addition to public expenditure as a result of all the proposals I have just announced will be £75 million in 1985-86, £300 million in 1986-87, and £400 million in 1987-88.

We also need to do more to remove legislative impediments to the effective working of the labour market. However well intentioned, these can only lead to fewer jobs. The abolition of the Secretary of State for Employment will be extending to all employers the provisions on unfair dismissal which currently apply to small firms. The qualifying period for unfair dismissal claims will thus become two years for all new employees.

This is a reasonable period of time and should lessen the reluctance of some employers to take on new people.

In addition, Mr Tom King will be issuing a consultative document about the future of the Wages Councils later this week. Wages Councils destroy jobs by making it illegal for employers to offer work at wages they can afford, and the unemployed are prepared to accept. This applies in particular to small employers and to youngsters looking for their first job. The document will cover a number of other proposals for change, including complete abolition.

TAX REFORM

Green Paper coming

I now turn to taxation. This Budget carries forward the theme of tax reform I set out last year. Reform designed to make life a little simpler for the taxpayer, and above all reform designed to improve our economic performance over the longer term, on which the jobs of the future will depend.

In my budget last year I announced a radical reform of the corporation tax system. This had been preceded by the green paper on corporation tax issued by my predecessor in 1982.

I am satisfied that the right way to proceed with major tax reform is to issue a green paper first, as a basis

for full and informed discussion, followed by legislation when the results of that discussion have been fully digested.

I therefore propose to issue a Green Paper later this year on the reform of personal income tax.

The computation of PAYE makes this the right time to review the system of personal taxation, most of the work will be complete by the end of 1987 and the full range of facilities will be available by 1989. The Green Paper will therefore discuss a range of options opened up by computerisation, from non-cumulation to closer integration between the tax and benefit systems, and including in particular a reform of the present system of personal allowances.

It is the Government's firm policy to reduce the burden of income tax. We need to make sure that the reforms we can afford to introduce will be the ones which will do most good.

The present structure of personal income tax is far from satisfactory. Too many young people start paying tax at too low a level, and too many families and individuals are reduced to unemployment traps. The system discriminates against the family in which the wife stays at home to look after the children. It denies to the partners in a marriage the independence and privacy in their tax affairs which they have a right to expect.

There is therefore a strong case for changing to a new system of personal allowances more suited to today's economic and social needs. Under this, everyone, man or woman, married or single, would have the same standard allowance. But if either a wife or a husband were unable to make full use of their allowance, the unused provision could be transferred to the other spouse.

This reform would produce a more logical and straightforward system. Far more people could be taken out of the poverty and unemployment traps, and indeed reduced to unemployment traps, for a given sum or overall tax relief than is possible under the present system. It would end the present discrimination against the family where the wife feels it right to stay at home, which is a thoroughly modern means of discrimination against the family with young children.

Husbands and wives would each be taxed separately on their own income, irrespective of the income of the other. The advantages for the purposes of a wife's earned income and investment income with her husband's would end, thus removing what has become an increasing source of resentment among women.

The Green Paper will set out full details of the proposals I have just outlined, as a basis for public discussion.

After an appropriate period for consultation, it would be possible to legislate in 1987 and have a system on these lines in place by the end of the decade.

There is also a case for changing the tax treatment of pension funds, as part of a thoroughgoing reform of the tax treatment of personal savings generally. Any fundamental change of this kind would, in the same way, need to be preceded by the issue of a Green Paper.

The House will, I am sure, be interested to learn that I have no such Green Paper in mind.

Nor, indeed, despite the unparalleled pre-Budget agitation about any of the detailed proposals in my Budget, affect the tax-deductibility of pension fund contributions, the tax-free nature of pension fund income and capital gains, or the anomalous but much-loved tax-free lump sum.

Meanwhile, I have a number of other important proposals for tax reform to announce today, which will both simplify the system and encourage enterprise.

First, Capital Gains Tax, last year I was unable to do anything about the acknowledged defects of this tax, notably its combination of unfairness and complexity, and undertook to come back to it this year. This I do now.

I have decided that the right way to reform Capital Gains Tax is to

to build on the important change made by my predecessor three years ago, when he introduced the 1982 indexation relief.

That relief, valuable though it is, and increasingly valuable as it will become, suffers from three serious limitations. First, indexation does not cover the first 12 months of the ownership of an asset. This provision was introduced to discourage the short-term sale of income from capital. But it has made tax very much more complicated for the taxpayer. I am now in a position to remedy this defect.

CAPITAL GAINS

12 month rule abolished

I announced last month measures to put an end to the practice known as 'bondwashing', the principal device for converting income into less heavily taxed capital gains. Having done that, I propose to abolish the 12 month rule. So far as most disposals are concerned, the rule will take effect from April 6. In the case of certain fixed interest securities, however, the rule will need to remain in being until the anti-bondwashing provisions take effect on February 28, 1986.

Second, the indexation does not at present extend to losses. I propose to remove this restriction.

Third, the present indexation provision unfairly discriminates against those who acquired their assets prior to 1982. For them the allowance is based not on the 1982 value of the asset but on its original cost. I now propose to remedy this injustice.

The indexation allowance will henceforth be based on March 1982 values. Capital gains made prior to 1982 will still not be indexed, of course, but at least all purely inflationary gains made since that date will now be free of tax, irrespective of when the asset was acquired.

This three-pronged reform of capital gains tax will produce a fairer tax, make life simpler for the taxpayer, help the efficient working of the capital markets, relieve the burden of family businesses and encourage risk-taking and enterprise. Combined with the statutory indexation of the exempt amount, which will rise in 1985-86 to £5,000, these changes will remove some 15,000 taxpayers from liability altogether.

Increasingly the tax will be levied on real and not inflationary gains. With these reforms, I believe the tax is now on a broadly acceptable and sustainable basis.

The combined cost of the threefold reform I have announced is £155 million in a full year, but none of it falls in 1985-86.

I turn next to the stamp duties. Following widespread consultation, I have decided that the time has come to sweep away the antiquated duties, I propose in this Budget to sweep away 15 separate duties, including the contract note duty and the 1 per cent duty on gifts. Altogether, the changes I am proposing will reduce by over 40 per cent the number of documents which require to be stamped.

My final proposal for reform concerns development land tax. This is a particularly complex tax which was introduced in response to the problem of soaring land values at a time of high inflation. Its chief practical effect is to discourage the bringing forward of land for development.

This disincentive effect will grow as the gap widens between the 60 per cent rate of development land tax and a corporation tax rate which is on the way down to 35 per cent. I have therefore decided to abolish development land tax altogether, with immediate effect. At the same time I propose to cancel all deferred charges under the tax. The net cost will be some £20 million in 1985-86 and £50 million in a full year. This compares, incidentally, with a collection cost of some £5 million a year.

Development gains will of course continue to be subject to income tax, corporation tax and capital gains tax, in the same way as any other income or capital gains.

The abolition of development land tax will, I am sure, be especially welcomed by the building and construction industry. It will also remove no fewer than 300 pages of highly complex legislation from the statute book.

This follows the abolition of the national insurance surcharge in last year's Budget. Three unwanted taxes swept away in two years.

BUSINESSES

Research allowances

I now turn to other aspects of business taxation. It cannot be repeated too often that it is business, and not Government, that creates jobs. The Government's responsibility is to foster the conditions which will encourage businesses to grow and create more jobs. The measures I have to announce are designed with that end in view.

First, corporation tax. The reforms I announced last year set out a new and improved framework of business taxation for the remainder of this Parliament and beyond. So this year I have only limited changes to make. A full list of course contained in the Red Book.

As I promised last year, I have reviewed the scientific research allowance. Given the particular importance of research and development to industry, it is to hold its own in a competitive world. I have decided, exceptionally, not to reduce this allowance in line with the changes in the other capital allowances. A few minor changes apart, the scientific research allowance will remain at 100 per cent.

I have also decided to modify the new capital allowance system as it applies to short life assets while the new structure of capital allowances enables most plant and machinery to be written off over a period of more than four years. I have decided, I accept that there is a problem with these assets which enjoy only a short life, in particular high technology assets.

Accordingly, from next year, a business will be able to exclude from its general pool of capital expenditure any asset which it believes will have only a short life, so that if the asset is subsequently scrapped after, say, four years, it will be fully written off for tax over that period. I

believe that this change will be widely welcomed. The benefit to business could rise to about £300 million in the early 1990s.

I now turn to a number of other detailed measures affecting business.

The number of employee share schemes has increased from 30 when I took office in 1979 to some £50 today. The wholehearted commitment of employees to the success of the companies in which they work is vital to our country's economic future. To maintain and build on this progress I propose to reduce the retention period for profit sharing schemes from seven years to five.

I propose to take action to deal with tax avoidance by partnerships, following the consultative document issued last year.

In my last Budget I removed a competitive disadvantage to British manufacturers by levying VAT on imports. I have decided to modify the new regime in two respects.

First, I propose to relieve from VAT certain goods which are imported into this country for export, but which are not re-exported to their owners overseas. Second, goods which are temporarily exported from the UK, and then reimported after repair or processing abroad, will bear VAT only on the value of the repair or processing. These reliefs will take effect on June 1 and have a one-off cost in 1985-86 of £30 million.

I propose to introduce secondary legislation to remove the constraint imposed by the Banking Act which at present prevents companies from financing themselves by issuing shares of short term securities. This should provide a useful alternative to bank borrowing.

I have no major new proposals this year on the taxation of North Sea oil. I have, however, reviewed the economics of incremental investment in existing fields, but I have not been persuaded that there is a case for introducing new fiscal reliefs at this stage.

My only proposal for change, apart from some minor technical measures, is to remove immediate petroleum revenue tax relief for onshore exploration. An appraisal expenditure, or a licence fee, or a sufficiently low-cost oil to need this special incentive.

In last year's Budget statement I mentioned the Government's concern at the spread of unitary taxation within the United States, and the threat that this posed to the US subsidiaries of British companies. Since then, I am glad to note that several American states have abolished unitary taxation; but in others, notably California, no change has yet taken place.

We shall continue to press for action to be taken this year, and fully support the campaign being waged by the CBI and others on this issue.

Finally, I turn to a group of measures of particular importance to smaller businesses and the self-employed, and to the economy where an increasing proportion of the jobs of the future is likely to be found.

I have already announced a substantial reform of the capital gains tax, and I am now in a position to implement many of the proposals contained in last year's consultative document on capital gains tax. I have decided, notably to reduce the age for full relief to 60 and to extend relief to the self-employed, and to the threat that this posed to the US subsidiaries of British companies. Since then, I am glad to note that several American states have abolished unitary taxation; but in others, notably California, no change has yet taken place.

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March 19, 1985

PARLIAMENT

It is right to concentrate most of the limited resources at my disposal on raising starting points for tax

Higher tax thresholds and radical reform of NI contributions

Continued from page 10

All this adds up to a substantial package of measures to help small business and the self-employed, which I am sure the whole House will welcome.

I turn now to the taxation of personal income and spending. By Budget last year shifted some of the burden of personal taxation from earnings to spending. Today I propose to make a further move in this direction.

Accordingly, I propose to increase the revenue from the excise duties by rather more than is required simply to keep pace with inflation - a less painful task now that inflation is relatively low.

I propose to increase the duty on cigarettes and hand-rolling tobacco by the equivalent, including VAT, of six pence per packet of 20 cigarettes. This will take effect from midnight on Thursday. I do not, however, propose any increase at all in the duty on cigars and pipe tobacco.

I propose increases which, including VAT, will put between a penny and two pence a pint on most beer (depending on its strength); a penny a pint on cider; six pence on a bottle of table wine and about ten pence a bottle on sparkling or fortified wine.

In recognition of the current difficulties of the Scotch whisky industry, however, I propose to increase the duty on spirits by only ten pence a bottle, well below the amount needed to keep pace with inflation. All these changes take effect from midnight tonight.

I propose to increase the duty on petrol and duty by amounts which, including VAT, will raise the price of the pumps by approximately four pence and three pence halfpenny a gallon respectively. This does more than keep pace with inflation. These increases will take effect from 6 o'clock this evening. As last year, I do not propose any change in the duty on heavy fuel oil.

I do propose this year, however, to raise more revenue from the vehicle excise duty. For cars and light vans the duty will go up by £10 to £100. On the advice of the Secretary of State for Transport (Mr Nicholas Ridley) the pattern of duty on lorries will be changed to correspond more closely to the amount of wear and tear they cause to the roads. While there will be substantial increases in duty for some of the heaviest rigid lorries, for most lorries, for most lorries the rates will remain unchanged.

These changes in the excise duties will, all told, raise an extra £820 million in 1985-86, which is some £235 million more than is required to keep pace with inflation. The overall impact effect on the RPI of these changes will be one half of one per cent. This has already been taken into account in the forecast I have given the House of a 5 per cent inflation by the end of the year.

ONE VAT CHANGE

Then no more extensions

I have followed with some interest the speculation that has built up over recent months about my intended intention for VAT. Most of it - such as the so-called proposal to levy VAT on books - has concerned matters which have not even been under consideration. But to have revealed this prematurely would not have stifled speculation; it would merely have concentrated it on those matters that were under consideration - a practice that no Chancellor, rightly, has sought to encourage.

I can now inform the House that, apart from one change I shall be proposing today, I do not intend to make any further extensions of the VAT base during the lifetime of this Parliament. This is, of course, a field in which European Community law has to be reckoned with and where we are bound by our treaty obligations. But as the House will be aware, where we are currently under challenge, there are we vigorously fighting our case.

The one extension I propose to make concerns newspapers and magazines. At present, while all other advertising is taxed, newspaper and magazine advertising is not. There is no justification for this anomaly. It is one thing to maintain that newspapers and magazines should not be liable to VAT; quite another to argue that those who

advertise in them should enjoy a similar immunity.

Accordingly, I propose that from 1 May newspaper and magazine advertising should be subject to VAT. This will raise £30 million in 1985-86 and £50 million in a full year.

I also propose to change the VAT treatment of credit cards and similar payment cards - a part of the financial sector which has enjoyed exceptional growth over the past few years. I propose that from May 1 transactions between the companies providing the cards and the outlets which accept them should be classified as exempt. This means that the companies will not be able to recover VAT in respect of such transactions.

In respect of such transactions, I will raise £15 million in 1985-86 and £20 million in a full year. It should not directly affect the charges made to card holders.

I also have a modest VAT concession to make. I have decided to extend the existing VAT relief for medical or scientific equipment bought with donated funds for use in hospitals and the like to cover computer equipment for certain medical uses. Customs and Excise will be announcing the precise details of the relief, which will take effect from May 1.

Following extensive consultations, I propose to include in this year's Finance Bill legislation to implement most of the recommendations of the first two volumes of the Keir report on the enforcement powers of the Revenue departments, including measures to deal with the problem of the late payment of VAT.

It is expected to bring in extra revenue of about £50 million in 1985-86. By 1988-89 there will have been a cumulative once-for-all revenue gain of about £600 million. Proposals on the Inland Revenue aspects of the Keir report will follow in next year's Finance Bill.

The VAT changes I have just proposed will bring in £90 million in 1985-86, rising eventually to £215 million in a full year. They will have no impact on the RPI. The additional revenue raised from the excise duties and VAT taken together will help me to lighten the burden of income tax.

INCOME TAX

Scales for company cars

Before turning to income tax, I should briefly mention capital transfer tax. Since 1979 the burden of this tax has been very significantly reduced, and I propose to maintain that position by raising the threshold and rate bands set last year in line with statutory indexation.

In addition, I propose to widen the scope of the existing exemption for family land surrounding a house of outstanding heritage quality. I am sure that this will be welcomed by all those concerned with the preservation of our national heritage.

I now turn to income tax. On April 6th, the banks will move over to the composite rate system for the payment of tax on bank interest. I now need to legislate to put the corresponding composite rate payment by building societies on a similar footing, starting next year.

This will not produce any additional revenue. As an administrative saving, I also propose to legislate this year to bring new loans above the mortgage interest relief ceiling into the MIRAS system by April 1987. The ceiling itself will remain at £30,000 for 1985-86.

I also intend to set the 1986-87 car benefit scales for those whose employers provide them with the use of a car. As last year, I propose to increase both the car and fuel scales by 10 per cent with effect from April 1986. This will still leave the scale levels well short of the true value of the benefit.

To give further help to charities, I propose to increase from £5,000 to £10,000 the limit to which relief at the higher rates of tax is allowed for covenants.

I now turn to my main income tax proposals. I propose to make no change this year in the rates of income tax. Once again, I believe it is right to concentrate most of the limited resources at my disposal on raising the starting point for tax, increases in the basic tax thresholds benefit all taxpayers, but they give proportionately more help to those on low incomes.

This year, a Budget for jobs and for enterprise has to give high priority to raising the tax thresholds.

The statutory indexation formula means that I should increase all the principal income tax allowances and bands by 4.6 per cent, the increase in the RPI over the year to last December, rounded up. For the higher rate threshold and bands I propose this year to do just that.

The first higher rate of £16,200 and the top rate of 40 per cent will apply to taxable income above £30,200.

For the basic thresholds I can do no better than to follow the statutory indexation formula which will imply an increase in the single person's allowance of £100. I propose to increase it by precisely twice as much - £200 - from £2,005 to £2,205. Statutory indexation would imply an increase in the married man's allowance of £150. Again, I propose to raise it by precisely twice as much - £300 - from £2,555 to £2,855.

I propose to increase the age allowance this year by the same cash amount as the corresponding basic allowances, thus the single age allowance will rise by £300 from £2,490 to £2,690 and the married age allowance will go up by £300 from £3,955 to £4,255.

These increases mean that most single people will enjoy an income tax cut of at least £1.13 a week and some married couples an income tax cut of at least £1.73 a week, some 800,000 people on low incomes - 100,000 of them widows - who would have paid tax if thresholds

among whom the problem of unemployment is most severe.

I have concluded that an effective response to this problem must include direct action in two related areas - to cut the costs of employing the young and unskilled, and to sharpen their own incentive to work at wages which employers can afford to pay.

I am therefore proposing, in collaboration with the Secretary of State for Social Services, a radical reform of the structure of national insurance contributions. The essential features of the contributory principle will be preserved.

The changes will affect both employers' and employees' contributions. Given the limited resources at my disposal, I cannot afford this year to make a further substantial reduction in the overall burden of employment costs, following the abolition of the national insurance surcharge in last year's Budget. I therefore propose to abolish the upper earnings limit for the employer's national insurance contribution, which for 1985-86 has been set at £265 a week.

Under existing arrangements, an employer pays in national insurance the same cash sum, which for the coming year would be roughly £28 a week, for employees above the upper earnings limit, regardless of whether the employee is paid £130.00 or £50,000. Under the new and arguably fairer scheme I am now proposing, the employer's liability will be the same flat 10.45 per cent of earnings as at present applies below the upper earnings limit.

The £800 million raised by this change in a full year enables me to make a substantial reduction in the cost of employing people at the lower end of the earnings scale. There, instead of the uniform 10.45 per cent I propose to introduce a system of graduated rates.

As now, there will be no national insurance payable for those earning below the lower earnings limit, which for 1985-86 has been set at

£35.50 a week, broadly in line with the single person's pension.

But for employees earning between this and £55 a week, the employer will have to pay only 5 per cent instead of 10.45 per cent. For employees earning £55 a week and £90 a week the new rate for employers will be 7 per cent; and for those earning between £90 and £130 a week the employer will pay 9 per cent. The full employer's rate of 10.45 per cent will apply only for those earning over £130 a week.

These changes represent substantial reductions in the cost of employing the lower paid. They will significantly improve the flexibility of the labour market and the prospects for jobs.

I recognize that employers cannot be expected to welcome the increased cost of employing higher paid workers, but for business and industry as a whole the increase in the floor of the higher paid will be fully offset - indeed more than offset - by the reduced cost of employing lower paid workers.

Moreover I propose to introduce a similar system of graduated national insurance contribution rates for the employees themselves at the lower end of the earnings scale. At present, those earning more than the lower earnings limit pay a flat rate of 9 per cent on total earnings up to the upper earnings limit and nothing on any amount they may earn above that limit.

This system makes national insurance contributions a particularly heavy burden for the low paid.

I propose that in future, those earning between £35.50 and £55 a week pay at the rate of 5 per cent and those earning between £55 and £90 a week will be liable to the full 9 per cent on their earnings.

But I do not propose to abolish the upper earnings limit for employee's contributions. It is an integral part of the contributory system on which their benefit entitlement is based. Moreover, if it were abolished, those on the higher rates of income tax would face unacceptably high combined marginal rates taking into account liability to both tax and national insurance contributions.

The changes I have proposed represent a substantial reduction in the burden of national insurance contributions on lower paid employees. In addition, as I have already indicated, I propose a corresponding reduction in the contributions paid by the self-employed, the flat rate Class 2 contributions will be reduced from £4.75 to £3.50 a week.

The Secretary of State for Social Services will include legislation to give effect to this restructuring of national insurance contributions in the Social Security Bill now before Parliament and I expect the new rates to take effect from the beginning of October.

I should make it clear that these changes are not intended to affect benefit rights, and new rules will be introduced to protect those rights. Nor will the changes affect arrangements for the contracted-out rebate.

The overall cost of these changes will be £450 million in a full year, made up of £80 million less in employers' contributions, £270 million less in employees' contributions, and £100 million less in contributions from the self-employed. In 1985-86 the total cost will be £160 million.

The effect on job prospects will, over time, be substantial. The radical restructuring I have announced will encourage employers to take on the young and unskilled, and give them, in turn, an incentive to seek work at wages that employers can afford.

The cost of employing some 8½ million people on earnings of less than £130 a week will be reduced by almost £900 million in a full year. It will cost an employer £3 a week less to employ a young person or unskilled worker at just below £90 a week.

And the take-home pay of some 3½ million people with earnings up to this level will be further increased on top of the significant real increases in income tax thresholds I have already announced. A single youngster on just under £90 a week will pay about £1 a week less in national insurance, and an employer's national insurance bill of £1.15 a week - an overall increase in take-home pay of almost £3 a week.

The reduction in the total burden on the low paid - income tax plus employers' and employees' national insurance contributions combined - is even more dramatic. For someone on £80 a week it is cut by up to 30 per cent and at £50 a week it is cut in half.

These are changes of a major order. They amount to a direct and powerful attack on disincentives to employment. They tackle the problem of unemployment where it is most acute. They complete my Budget for jobs.

CONCLUSION

Maintenance of sound money

In this Budget I have reaffirmed the Government's commitment to the defence of inflation through the maintenance of sound money. I have made further radical proposals for taxation and national insurance, and abolished outright a third tax.

In collaboration with the Secretaries of State for Employment, Education and Social Services, I have proposed a coherent and wide-ranging set of measures to promote new jobs. I commend this Budget to the House.

In Labour's manifesto

Mr Neil Kinnock, leader of the Opposition, said it was the custom that the Chancellor be congratulated on his budget. Any Chancellor that was able to cut down on the time of delivery from last year to a new low of 1hr 12min this year certainly deserved congratulations.

There were some aspects of the budget which immediately required commendation, like the way in which Mr Lawson had relented on his changes in capital allowances.

Mr Lawson would receive support for making life easier for the self-employed who had to retire early through ill-health.

We would like to commend him, (he said) for the changes he has

made in respect of national insurance contributions both by the employers and employees.

The cheers when Mr Lawson announced it were rather louder on the Opposition side of the House than the Government's side. Everything he has promised to do was actually in the last Labour Party manifesto for the 1983 election.

It is a shame (he went on) that Mr Lawson has taken so long, despite appeals to move in that direction well before the general election. Who knows how many jobs could possibly have been saved if successive Chancellors had taken the opportunity of reducing national insurance contributions, especially after this Government had put them up by 50 per cent after coming to power in 1979?

Let us hope (he said) that that is a harbinger for much bigger actions in future. Effectively, he dealt with unemployment, because we have heard all about Budgets for jobs before. All they had seen, in fact, was a remorseless increase in unemployment to four million, that basis this Budget, sadly, would fall Britain.

The Chancellor on the YTS, had spoken about unemployment not being an optional extra. The Government that was an ominous phrase, especially as the Opposition was forced to conclude that there was a strong likelihood that the Government was going to withdraw benefit entitlement from young unemployed people not suited to training schemes or who could not get work or education and, therefore, would use unemployment and the benefit to seek work.

His own father had gone to a training camp for training in the thirties, the penalty for not doing so had been withdrawal of his vote. Fifty years later it might be that youngsters of this generation were being offered the same lack of options - a reduction of their freedom, was there to be a coercive scheme?

Mr Lawson intervened: Had I any new proposals on that front to make, they would have been contained in my Budget speech.

Mr Kinnock said any such coercion would not be tolerated by the young. What the country needed from the Budget was expansion, opportunity, justice, enterprise and, most of all, jobs. But this stagnant Chancellor had simply given with one hand and taken away with the other and then threatened to jeopardize freedoms which had already been narrowed.

He had turned his back on millions of his fellow citizens who had been wretchedly poor and would not be forgiven for that.

There were alternatives. The Chancellor could have announced that he was prepared to provide an extra £3,500 million for investment and repair in housing, roads, sewage systems, the gas and electricity supply industries, training and research and development.

The Chancellor was prepared to find £2½ billion to fight the miners, so why was he not prepared to do that to fight unemployment?

Mr Lawson was the first Chancellor to preside over a manufacturing deficit and the biggest ever fall in the level of the pound.

He is the man (he went on) that says we have a recovery when we have four million unemployed. He is the man who told his House that expenditure to fight the miners of £2½ billion was a worthwhile investment. This is the same man who will not recognize that the real cost of maintaining unemployment is the gross single factor blocking off even his desire for growth and stability.

The result of these policies is that there are more poor people living in deeper poverty and the Chancellor is doing nothing truly effective to help them.

The higher tax thresholds and increases in pensions and benefits would not keep these people on the same level as at present because the increases in water, gas and electricity prices, in rents and rates, transport fares, prescription charges and petrol prices, rise would eradic any advantages. Today, a week after the House had heard of the £2 prescription, it heard of the £2 a gallon for petrol.

Mr Lawson (he declared) is not on course. He is travelling in circles and sinking all the time. What we want is for the people of conscience and some courage that we know exist on the Conservative benches to join with us to stop Mr Lawson dragging us down with him. (Labour Cheers)

Mr David Keir (Staffordshire, Middlesbrough, C) said all MPs would welcome the fact that there was to be no change in the tax treatment of pension funds. It was unfortunate that the Chancellor did not make this apparent some time ago, so sparing ordinary people a great deal of concern.

It was welcome news that there was to be not VAT on books, newspapers and journals, children's shoes and clothes: all the items so much had been heard about in

recent weeks. He had no great objection to VAT being levied on newspaper advertising, merely bringing it into line with the other forms of advertising.

A real Budget for jobs would have aimed at a rate of growth of 6 per cent or 7 per cent which would have been sustainable for many years. That would have involved a substantial increase in the PSBR which would have been quite manageable.

The Chancellor's Budget judgement had left a lot to be desired. Mr Gregor Mackenzie (Glasgow, Rutherglen, Lab) said the Budget speech had been short in length and short in ideas. People were more concerned about jobs than about any other aspect of life. Real jobs should be created. There was no point in giving someone some sort of training only to throw them on the scrapheap. Tax cuts were of no interest to the unemployed in his constituency.

Dr Alan Glyn (Windsor and Maidenhead, C) said the Budget must be looked at as a whole. In the long-term it would lay the foundation for growth and creation of new jobs, not propping up old industries which Britain had been

inclined to do rather than creating new industries in line with modern demand.

It was important to emphasize what the Chancellor said about maintaining public expenditure and, more important, control of inflation. The Chancellor had given what he had always wanted to see - a move from direct to indirect taxation.

Mr Cyril Smith (Rochdale, L) said for the Chancellor to describe it as a Budget for jobs was a joke. If it had any effect at all on unemployment it would be minimal.

He was a small businessman employing 18 people. As an employer he did not want wages councils abolished because they protected his business from unfair competition.

Wages councils ensured his competitors were required by law to pay the same minimum wage as he was. If they were abolished cowboy employers could come in, last six months, employ people on ridiculously low wages, pinch his customers, and then disappear.

Anybody who imagined wages councils were enemies of employers, especially small businesses, lived in cuckoo land.

PM defends Howe's Star Wars speech

DEFENCE

Washington, and the Foreign Secretary was speaking in pursuance of that policy.

Mr Neil Kinnock, Leader of the Opposition: The four points agreed with President Reagan are rather vague in several respects. What veto has she in order to ensure that there will be no step from research into development, with all its consequent experiments without her permission and the permission of this House?

Mr Thatcher: It is not a question of a veto. Research is permitted and constraints on deployment are those contained in the anti-ballistic missile treaty signed in 1972 by the Soviet Union and the United States, which permitted research but required negotiation before testing, and deployment in accordance with the terms of the treaty.

Mr Kinnock: Will she tell us clearly since these are matters of great importance, where she draws the line between research and development?

Mr Thatcher: Where it is drawn by the anti-ballistic treaty.

The policy was and remains in the four points set out by Camp David and reaffirmed when I was in

Risk of losing jobs in chasing relativities

TEACHERS' PAY

Chasing past pay relativities would mean a return to a self-defeating inflationary spiral which would price more people into unemployment. Sir Keith Joseph, Secretary of State for Education and Science, said during Commons questions on teachers' pay.

He stated that comparability with the pay of other groups was a recurring theme in representations made to him by teachers about their pay.

The prime factors in setting pay (he said) are the employers' capacity to pay and their need to recruit and retain teachers of appropriate quality. Classroom disruption was not in

the interests of teachers themselves, let alone of the children, and he hoped teachers would give it up.

He did not denigrate the hard work of the difficult job and dedication to duty of most teachers, but they should bear in mind that they had one of the most secure jobs in the country, that they were important and had been offered but had refused a 4 per cent pay increase and/or arbitration.

They had refused even to discuss proposals for appraisal and that could not be in their interests. The teacher unions do seem to be split.

Parliament today
Commons (2.30): Continuation of debate on Budget. Lords (2.30): Debate on Section 2 of Official Secrets Act.

PHOTOSALES

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McCarthy & Stone's next good idea was to contact Arthur Young.

McCarthy & Stone recognised that elderly people want the independence of private home-ownership, yet they also need to live within a sharing, caring community of people

in their own age group. They came up with an entirely new idea of sheltered accommodation.

By 1982 the Group had become the largest supplier of sheltered accommodation in the private sector.

They were ready for a public quotation.

And their next idea was just as good as the original.

They contacted Arthur Young. We worked for their placement on the USM, and the following year, with our help, the company achieved Full Market Listing.

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Economic growth at 3.5%
Money targets unchanged
Inflation pegged

FINANCIAL STRATEGY

Rate of inflation on target but interest rates forced off course

The Medium Term Financial Strategy (MTFS) has provided the financial framework for economic policy since 1980. It is designed to achieve falling inflation, with the ultimate objective of stable prices, through a progressive decline in monetary growth supported by lower public sector borrowing.

Within this framework, the economy has now been growing steadily for nearly four years as inflation has fallen to around 5 per cent. Productivity has risen by 11 per cent over the same period and, since early 1983, employment has increased by nearly half a million.

The Government will continue to encourage enterprise, efficiency and flexibility in both the public and private sectors - by promoting competition and the improved working of markets, by pressing ahead with privatisation and by improving incentives. Moderate pay settlements will lead to more jobs and lower employment, adherence to the MTFS guarantees that this moderation will not result in a reduction in overall demand.

During the past year, growth of the targeted narrow money aggregate M0 has been near the centre of its range. Inflation has been broadly as envisaged a year ago, and output has risen by 2½ per cent despite the coal strike. However, the PSBR and interest rates have both been higher than expected, and the exchange rate lower, particularly against a very strong dollar.

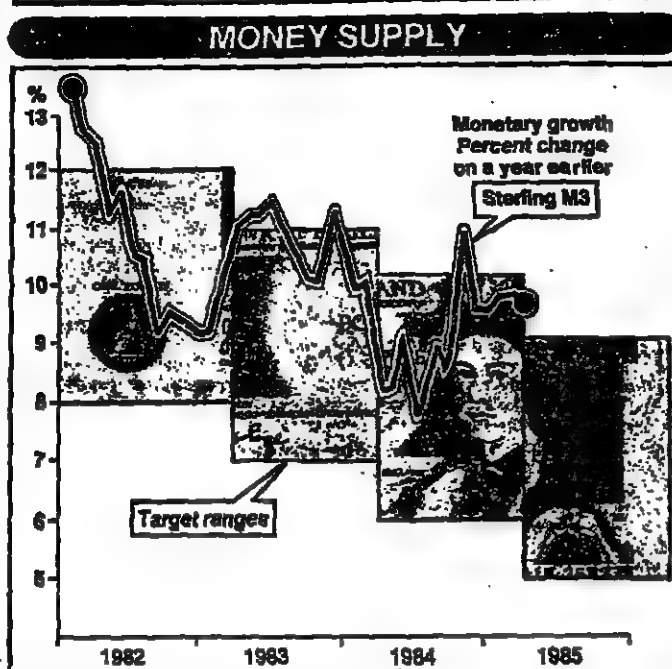
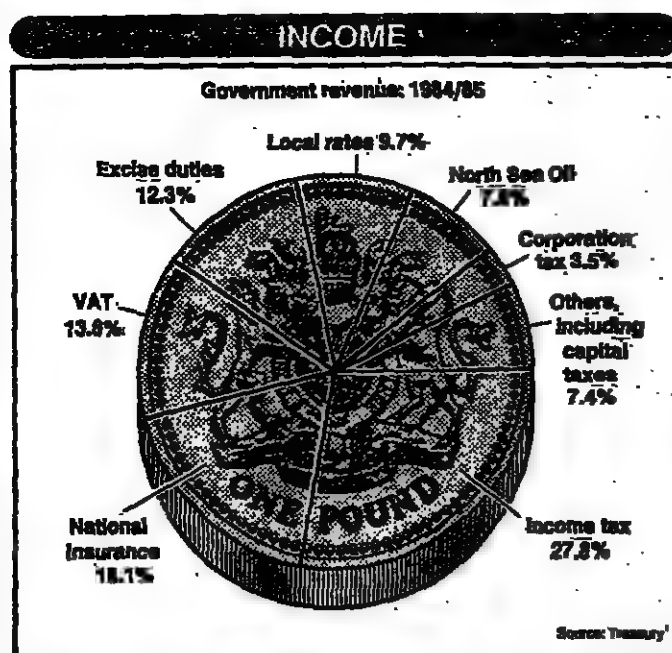
The relatively high growth of £M3 last year was associated with a combination of high public sector borrowing and high bank lending, partly offset by substantial sales of Government debt.

The sterling exchange rate index fell about 10 per cent during 1984-85. During the early months the fall largely reflected the strength of the dollar, although industrial unrest may also have been a contributory factor. Subsequently it was affected by fears about dollar oil prices.

Monetary policy

The government will continue to set targets for M0, as a measure of narrow money, and £M3, as a measure of broad money. As before, there will be separate ranges for each, reflecting their different trend growth rates. The targets for 1985-86 and the illustrative ranges for later are unchanged from last year's MTFS.

Precise target ranges for later years will be decided nearer the time and will take account of any changes in the financial structure, such as those affecting building societies, that could alter the significance of particular aggregates. The target ranges will be chosen to maintain downward pressure on the



growth of money GDP and thus on inflation.

By far the most important single factor in the overshoot in 1984-85 has been the coal strike, which is estimated to have added £2½ billion to public sector borrowing. As a result, the PSBR has remained virtually unchanged at around 3½ per cent of the money GDP for the last four years. This is considerably less than it was the previous four years, when it averaged nearly 3 per cent of GDP, but it is still not low enough.

Last year's MTFS indicated the level of the PSBR which the Government considered appropriate over the medium term. A sharp reduction is now needed to keep in line with that projection.

The PSBR for 1985-86 is forecast to be £7 billion, or 2 per cent of GDP, the figure indicated in last year's MTFS. This represents a further decline in the ratio of public sector debt to money GDP and contrasts with a rising trend in debt/income ratios in most other major countries. The PSBR projections repeat those given last year's MTFS and show a further small reduction as a proportion of GDP to 1½ per cent in 1987-88 and 1988-89. The figures after 1985-86 are illustrative, and decisions about the appropriate PSBR in particular years will be taken nearer the time.

For the period to 1987-88, the fiscal projections are based on the public expenditure plans shown in the Public Expenditure White Paper updated to take account of the changes described below.

Public sector borrowing

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
General govt expenditure	140.1	149½	159½	184	189	173
General govt receipts	130.0	140	150	159	168	178½
Fiscal adjustments from previous years	-	-	-	-	3½	7
Annual fiscal adjustment	-	-	-	3½	3	3
Public corporations' market and overseas borrowing	10.1	9½	9½	8½	8	7½
PSBR as % of GDP	0.4	10½	7	7½	7½	7½
Money GDP at	306	327	354	377	399	419

Consistent items may not sum to totals due to rounding.

Growth of the money supply and money GDP (%)

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
M0 (%)	5.7	5½	3.7	2.6	1.5	0.4
£M3 (%)	8.9	9½	5.9	4.8	3.7	2.6
Money GDP (%)	7.7	6½ (8½)	8½ (7)	6½	5½	5

(*) The money GDP figures for 1985-86 is a forecast, and in subsequent years the figures are assumptions.
(†) 1983-84: percentage change during the year (mid-March to mid-March). 1984-85: percentage change from mid-February to mid-February.
(‡) Percentage change on previous financial year. See Table 2.4 for further detail. Figures in brackets for 1984-85 and 1985-86 are adjusted for the coal strike. Rounded to nearest ½ per cent.

World Economy

	1983	1984	1985	1986	1987	1988
Per cent changes on a year earlier						
GNP in Major 7 Countries*	2½	5	3½	3		
Consumer Prices in Major 7 Countries*	4½	4½	4	4		
World imports	2	9½	5½	5½		
World trade in manufactures (UK weighted)	1½	10	5½	4½		

* USA, Canada, Japan, France, Germany, Italy and UK.

Coal strike hits expenditure prospects

The Government's expenditure plans which are drawn up within the framework of last year's Green Paper, *The Next Ten Years* and the medium-term financial strategy (MTFS), are a key element in the drive to create the right conditions for sustained economic growth.

The prospects for expenditure, as well as for revenue and borrowing, are reviewed annually in the Budget. This year the review has had to take account of a number of significant changes in the economic scene since the Survey was completed.

These changes include a lower exchange rate and higher interest rates as well as the costs of the prolonged coal strike. It has also become clear that coal strike effects apart, public expenditure in 1984-85 is likely to exceed the planning total.

Having reassessed prospects in the light of these changes, the Government has decided to make adjustments to the White Paper planning totals for 1985-86 to 1987-88, adding £2 billion to the Reserve and thus to the total in each year.

THE MAIN POINTS

Reducing the rate of inflation by gathering rigorously to the Medium Term Financial Strategy remains the core of the Government's policy. Faster growth, higher employment, better productivity expansion, and a favourable balance of payments are expected to follow the end of the miners' strike.

● Growth this year is expected to be 3½ per cent, the highest contribution of ½ per cent coming from the ending of the miners' strike. Gross domestic product grew by 2½ per cent in 1984, according to the latest estimate. On the demand side, private investment, exports and lower stock-output ratios will help to fuel the fifth consecutive year of growth.

● MTFS targets are unchanged from last year. The main aggregates will continue to be M0 and £M3. The target range for M0 in 1985/6 is 3.7 per cent, against an actual outturn for 1984/5 of 5½ per cent. £M3 should grow by 5.9 per cent, compared with 9½ per cent in 1984/5. It is still envisaged that by 1988/9 the M0 growth rate will be 0.4 per cent, and that of £M3 2.6 per cent. No special role is allotted to FSL2 or M2.

● THE PSBR for 1984-85 is now put at £10½ billion, or 3½ per cent of GDP. This is £2½ billion more than forecast in the autumn statement and £3½ billion more than anticipated in last year's Budget. The £2½ billion which the miners' strike added to public expenditure is the main culprit. But for 1985-86 the PSBR is forecast to be £7 billion, or 2 per cent of GDP. It is expected that the PSBR will be held at around £7 billion until 1988-89. By then, however, it would be only 1.75 per cent of GDP.

● INFLATION held at around 5 per cent last year, as intended. But the depreciation of sterling has pushed up import costs, and there are signs of a rise in inflation rising to 6 per cent during 1985, before it falls back to around 5 per cent by the end of 1985. The forecast in the previous Budget was for a rate of 4 per cent by mid-1985.

● EARNINGS grew in 1984-85 at around 7.5 per cent, much the same as the year before. The underlying growth rate for real pre-tax earnings was 3 per cent, also largely unchanged.

● The Balance of Payments is expected to be a sizeable current account surplus in 1985, and in the first half of 1986, after being roughly in balance last year. The overall current surplus could be £3 billion at an annual rate. But the decline in the balance on manufactured goods is expected to continue. Last year manufacturers registered a deficit of 1 per cent. A major offsetting factor, however, will be the rising surplus on interest, profits and dividends. The IPD surplus for 1984/85 is provisionally estimated to be £2.25 billion, against £1.75 billion in 1983. Higher oil exports will also help this year.

● North Sea oil production will probably peak this year after a slight increase. Its contribution to the balance of payments will rise by £3 billion to £10 billion. The tax take from oil should total £12 billion, or £2 billion higher in 1984/85 than previously forecast. It may be £4 billion more in 1985/6 than forecast. But the take could be smaller than expected by the end of the decade.

● The pound has helped exporters to improve by about 10 per cent. But this gain in competitiveness has partly been offset by a slower gain in labour cost competitiveness. The latest figures, however, indicate that there has been a modest improvement in underlying productivity growth. The average annual growth rate of output per capita has risen from ½ per cent in 1973/9 to 3½ per cent in 1979/84. Annual productivity growth is expected to remain above that of the period between the two oil shocks of 1973 and 1979, but below that of the 1960s.

● Government expenditure in aggregate is forecast to rise from £159.5 billion in cash terms during 1985/6 to £173 billion in 1988/9. The result for 1984/5 was £149.5 billion. General government receipts are assumed to equal expenditure by 1987/8. The Government warns, however, that these targets may have to be modified in the light of events.

PUBLIC SPENDING

Coal strike hits expenditure prospects

The Government's expenditure plans which are drawn up within the framework of last year's Green Paper, *The Next Ten Years* and the medium-term financial strategy (MTFS), are a key element in the drive to create the right conditions for sustained economic growth.

The prospects for expenditure, as well as for revenue and borrowing, are reviewed annually in the Budget. This year the review has had to take account of a number of significant changes in the economic scene since the Survey was completed.

These changes include a lower exchange rate and higher interest rates as well as the costs of the prolonged coal strike. It has also become clear that coal strike effects apart, public expenditure in 1984-85 is likely to exceed the planning total.

Having reassessed prospects in the light of these changes, the Government has decided to make adjustments to the White Paper planning totals for 1985-86 to 1987-88, adding £2 billion to the Reserve and thus to the total in each year.

These cash plans imply that the level of spending will fall slightly in real terms between 1985-86 and 1987-88, following a significant fall between 1984-85 and 1985-86. However, after excluding the £2½ billion estimated cost of the coal strike in 1984-85, the planning total is broadly consistent in real terms over this period.

Public expenditure as a percentage of GDP is now estimated to have risen in 1984-85 because of the coal strike costs, temporarily reversing the

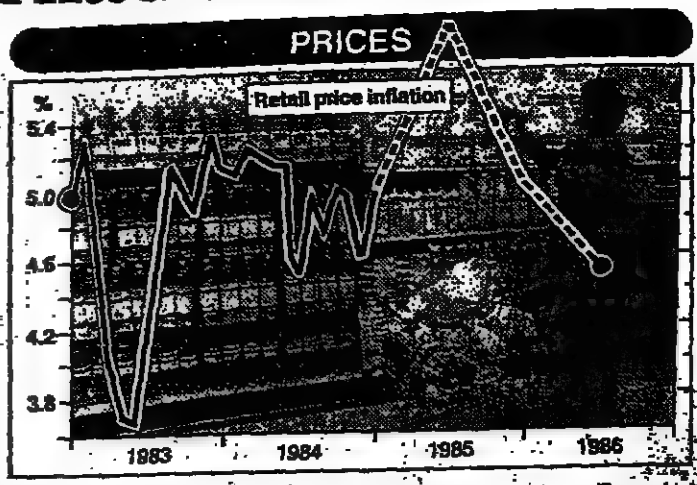
downward trend established since 1981-82. But the revised spending plans point to a substantial renewed fall in this percentage over the next three years.

Public corporations' market and overseas borrowing has to be deducted from the planning total, to convert to general government expenditure. This element is usually negative (i.e. a net repayment which is expected to be particularly large in 1985-86) but in 1984-85 it is estimated to be positive as a result of the coal strike.

North Sea oil peaks
Balance of payments
Growth forecast

ECONOMIC FORECASTS

Further growth despite international risk



oil, and interest, profits and dividends.

The direct effect of the coal strike on the current account in 1984 is estimated to have been about £2.75 billion. Following the ending of the strike, the effect on the 1985 balance will be lower, at about £1.25 billion in the first quarter of the year.

Export volumes (excluding oil and eratics) rose by 9 per cent in 1984, the largest increase in a single year since 1976. Exports of manufactures (excluding eratics) rose by some 10 per cent or so, in world trade terms. Since 1981, the gradual improvement in cost competitiveness has helped Britain broadly to maintain its volume share of world trade in manufactures.

In 1985, British exports of manufactures are expected to grow somewhat faster than world trade, as recent gains in cost competitiveness help export volumes. Exports of non-manufactures should also continue to grow. Exports of goods (excluding oil) are forecast to grow by 7.5 per cent in total.

Import volumes (excluding oil and eratics) also grew rapidly in 1984 as the domestic recovery continued, rising by 10.5 per cent. Imports of manufactures grew by a similar amount.

There is likely to be a small increase in oil production in 1985 when North Sea oil output may reach its peak. With the end of the coal strike, fuel imports should fall in 1985 which may also be the peak year for the contribution of oil to the balance of payments.

The world recovery and improvements in competitiveness have not yet been reflected in provisional estimates of the balance of trade in services. The 1984 balance is estimated to have been close to the 1983 level. Some improvement in the services balance should occur in 1985.

The overall picture is thus one of a sizeable current account surplus, both for 1985 and for the first half of 1986, perhaps of the order of £3 billion at an annual rate. Within that total, some further decline in the balance of trade in manufactures is forecast, continuing the trend which was seen the balance fell from a surplus of 5 per cent of GDP in 1970, to one of 3 per cent in 1978, and to a deficit of 1 per cent last year.

The balance of trade in oil should show a substantial improvement with the end of the coal strike, and improvements to the services and interest, profit and dividends accounts should raise the surplus on invisibles.

Current account surpluses, together with capital gains and currency changes, have led to a continuing increase in overseas assets. Britain's net external assets have risen as a percentage of GDP from 7.5 per cent at the end of 1979 to an estimated 23 per cent last year, from £13 billion to £75 billion.

Inflation

In 1984, inflation in Britain continued at around the same rates as in 1983: the increase in the retail price index of 4.75 per cent between the fourth quarters of 1983 and 1984 was in line with earlier government forecasts. British inflation remains a

little below the European average, which has declined over the last year, but above that in the US, Japan and Germany. The years 1983 and 1984 were the first two successive calendar years since the late 1960s to record growth in the RPI at 5 per cent or below. In January 1985 the RPI was 5 per cent higher than a year earlier, in January and February, producer output prices were more than 6 per cent higher.

The sterling exchange rate index fell by some 13 per cent between February 1983 and February 1984, almost half of which was due to the rise in the dollar, bringing its total decline since the peak in early 1981 to over 30 per cent. Import prices in the course of 1984 rose by 12 per cent. The reduction in inflation during the period of sterling depreciation reflected the downward pressure on prices exerted by the Government's macroeconomic financial framework.

Most people in work again experienced a substantial increase in living standards. In the current round, settlements on average are not very different from those in the last two years. Over and above the basic increases negotiated under pay settlements, additional elements - such as productivity deals, bonus payments, and changes in overtime and short-time - have contributed to average earnings growing at a rate of about 7½ per cent.

The underlying pre-tax growth in real earnings during 1984 was approaching 3 per cent, much the same rate of increase as over the previous two years. There is not much sign of any big change, up or down, in the rate of pay settlements and earnings increases. On this basis, labour costs may rise by about 5 per cent over the next year, a little faster than during 1984 when the National Insurance surcharge was abolished.

Profit margins on domestic sales fell towards the end of 1984 and at the beginning of 1985, although increasing profit margins on exports and a generally higher level of output permitted a continuing healthy growth of profits. There may be some recovery of domestic margins during the early part of 1985.

The rate of growth of the RPI may be about 6 per cent in the second quarter. Before the end of the year, overall conditions in the economy should be consistent with inflation moving down again. By the fourth quarter, the rise in the RPI may be about 5 per cent, broadly in line with costs. By mid-1986, with a slower growth in import costs, inflation may be around 4.5 per cent.

Demand and activity

Latest estimates suggest that growth of GDP was about 2.5 per cent in 1984. The different measures of GDP have been telling rather different stories about growth in recent quarters; the income measure has shown stronger growth and the expenditure measure weaker growth than the average measure.

Statistics on the economy over the last year have been distorted by the coal strike. The overtime ban and subsequent strike reduced output in the coal industry in 1984 by well over half. There has been some effect on the output of other industries.

Short-term economic prospects

	Forecast	Average errors from past forecasts
A. Output and expenditure at constant 1980 prices		
% changes between 1984 and 1985:		
GDP (at factor cost)	3½	1
Consumers' expenditure	3	1½
General Govt consumption	2	1
Fixed investment	2 6½	2 2½
Exports of goods and services	3½	2½
Imports of goods and services	0	7
Change in stockholding (as % of level of GDP)		
B. Balance of payments on current account		
£ billion:		
1984	0	
1985	3	2½
1986 first half (at an annual rate)	3	4
C. Public Sector Borrowing Requirement		
% changes between 1984 and 1985:		
Financial year 1984-85	10½ (3½)	1½
Financial year 1985-86	7 (2)	4½ (1½)
D. Retail Prices Index		
% change:		
Fourth quarter 1984 to fourth quarter 1985	5	2
Second quarter 1985 to second quarter 1986	4½	3½

* The errors relate to the average differences (on either side of the central figure) between actual and forecast figures. The method of calculating these errors has been explained in earlier publications and government forecasts (see Economic Progress Report, June 1981). The between June 1985 and October 1984. For the current balance and the retail price index, forecasts made between June 1970 and October 1984 are used. For the PSBR, Budget forecasts since 1987 are used. The errors are after adjustment for the effects of major changes in fiscal policy which are excluded from the forecasts.

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NOW GOH MUI JONG WANTS TO LAND IN MANCHESTER, IS THE FEELING DIFFERENT?

Lord King himself has always said

For all of these reasons, Singapore Airlines politely and respectfully asks Mr Nicholas Ridley to change his mind.



SPECTRUM

Are submarines the key to tapping the Arctic's oil riches?

At the tip of a golden iceberg

Twenty-five years ago, the USS Sea Dragon became the first submarine to transit under ice through the legendary North-West Passage, en route for Pearl Harbour via the North Pole. The diving officer on board was Alfred McLaren who has recently been in Europe seeking

converts to a revolutionary idea - to build submarines as underwater oil tankers. They are the ideal vehicles, he says, to provide safe, year-round transport out of the difficult ice-bound oilfields in the High Arctic. BILL MANSON looks into what many traditionalists view as a crazy idea.

Captain Alfred Scott McLaren has lived in submarines for nearly a quarter of a century, prowling around under the North Pole shadowing Soviet subs or surveying the scarcely-known waters of the Arctic.

And while he travelled silently between the ceiling of hanging ice mountains and the mud floor of the seabed, safe from the raging storms above, he often wondered what other uses submarines could have. It was only after he retired from the US Navy research establishments and became a student again that he found an answer.

How to get oil out of the High Arctic was the last of a long line of problems facing oilmen sent up to explore the far north as part of the West's drive towards self-sufficiency. They had found the oil and gas. Originally they were talking of 60 billion barrels of oil alone - enough to make a second Middle East of the Arctic. They have since revised that figure downwards, but no one doubts that the Beaufort Sea/North-West Passage area is bulging with carbon-based fuels. The oilmen managed to cope with the weather, and adopted new techniques to drill offshore through ice in temperatures that would freeze even oil. But they had not come to terms with transportation.

What was needed was a reliable, year-round means of taking the oil and gas down to population centres, or at least to ice-free ports. Pipelines, the usual first choice, become more difficult when wells are out to sea. And pipes laid under the Arctic have hazards of their own: aside from their huge expense, in the shallow seas of the Beaufort, ice floes come spinning off from their slow clockwise walk around the Pole and often scrape ashore, gouging the seabed under force of wind and current. Any pipe underneath is sure to rupture.

The effects of an oil spill under Arctic conditions are as yet unknown. It would be an oilman's nightmare. Repairing a gushing underwater pipe would be almost impossible. Spilled oil would become trapped under the ice and in those temperatures take years longer to break down than in warmer waters. Oil tankers are the obvious solution. But Arctic offshore is different with its raging weather, ice packs, icebergs and long winter nights: no tankers, not even ice-strengthened, can promise year-round service.

It was about this time that Captain Alfred McLaren, student, was looking for a thesis subject. He was studying at the Scott Polar Research Institute at Cambridge and working towards a PhD in Polar Studies at the University of Colorado. The oilmen's dilemma awoke his old preoccupations. Perhaps there was a commercial role for

the submarine in the Arctic. Why not build an oil tanker that goes under water, under ice, avoiding the autumn storms and the winter ice barriers, building on the 30 years of Arctic submarine development?

He knew it was less of a conceptual leap than people thought. America's Admiral Galantin had pointed out 25 years ago that fully-laden surface tankers were already nine-tenths submarine. "It requires little imagination," he had said, "and very simple engineering to go all the way in putting the ship underwater and producing a simpler, more efficient hull, one which can escape the stresses of surface operation and which can maintain a high economic speed."

One of the fathers of the modern submarine, the American Simon Lake, actually built submarines for the Russians which they used under ice off Vladivostok before the First World War. And in 1917 he was seriously planning two types of cargo-carrying submarines of 11,000 and 13,000 tonnes (larger than the present Polaris ballistic missile submarines) to navigate across the Arctic from the Atlantic to the Pacific.

The explorer Sir Hubert Wilkins converted a military submarine and tried under-ice experiments in 1931. His aim was "to demonstrate dramatically the fact that submersible

Submarines compare well with pipes and icebreakers

vessels may be used for the opening up and development of the Hudson Bay district and other northern areas."

L-boats and Japanese submarines were used as tankers and cargo-carriers during the Second World War, but the most serious proposal was made much later by the British Saunders-Roe company. They carried out design work for a 50,000 tonne nuclear submarine cargo vessel capable of carrying 28,000 tonnes of iron ore pellets from the Diana Bay region in northern Quebec to Britain throughout the year regardless of ice conditions.

Across the Atlantic in 1938, and again in '62 and '70 (after the discovery of oil in Alaska) the giant General Dynamics corporation did feasibility studies on submarine tankers. They thought big: they proposed building a fleet of 16 nuclear-powered, super-sub tankers capable of carrying 1.4 million barrels of oil each. They were convinced these tankers

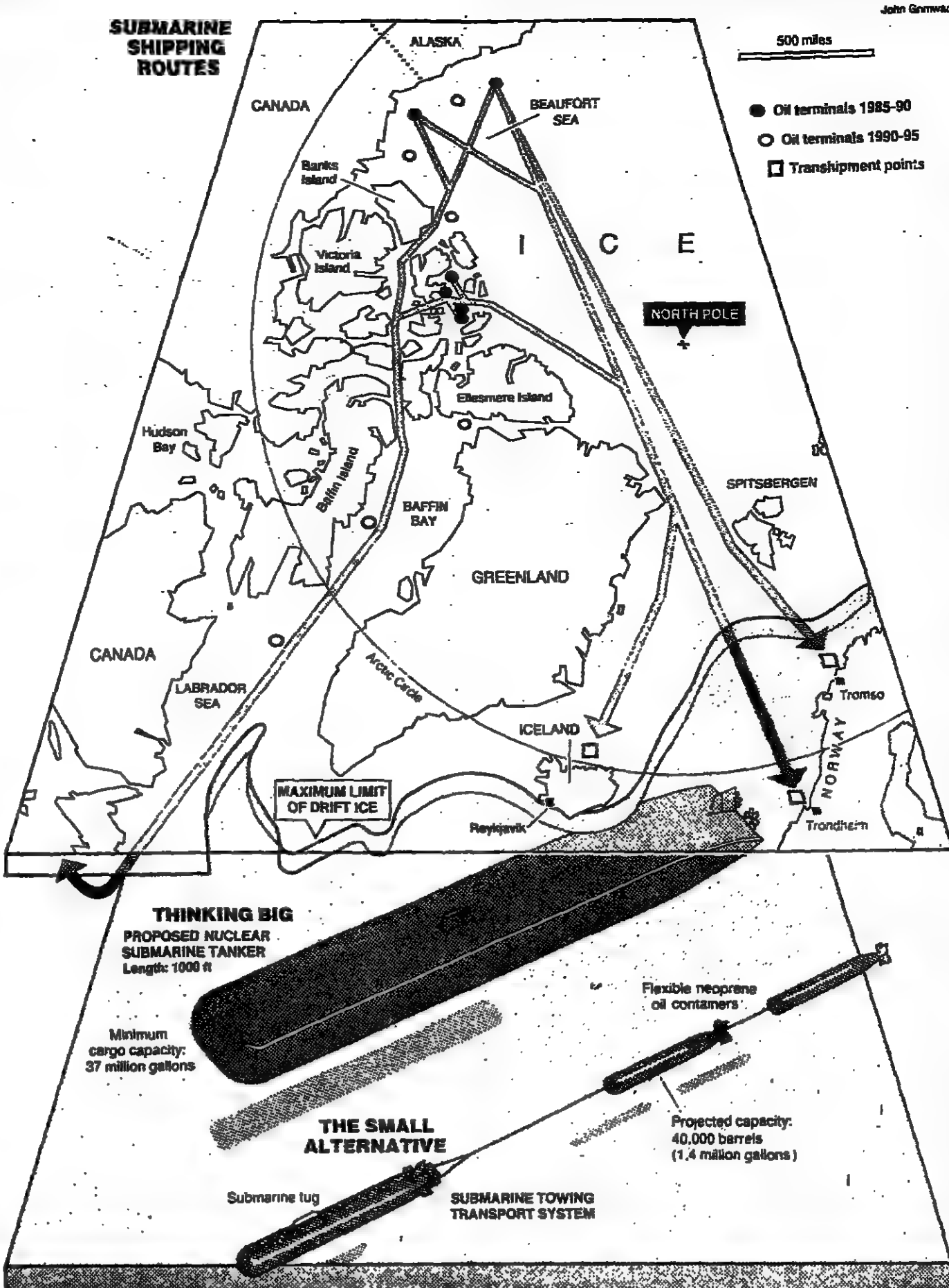
could transport oil from Alaska to East Coast US ports more cheaply than pipelines. But the oil companies refused, and opted more conservatively for the Trans-Alaska pipeline - despite the fact that its costs escalated to 10 times its original estimate.

After its first Arab oil embargo, an alarmed US Department of Commerce commissioned a study to explore the feasibility of an Arctic submarine transportation system to deliver oil direct to the East Coast. Plans for nuclear sub-tankers of up to almost a million tonnes resulted. Again, the study found that "submarine tanker systems are technically feasible, offer an attractive rate of return, and compare favourably with other delivery systems in terms of transportation costs". Again, nothing happened.

Why has everybody backed off in spite of the encouraging prognoses? "I think it's a fear of what they can't see," says McLaren. "It's like Jaws. Once you've seen that film, bathing is never the same. A monster from the primeval deep. Submarines first came to public consciousness with Jules Verne's *Twenty Thousand Leagues Under the Sea* - and they have never shaken off that image because they go where nobody can see. Submarines, let alone submarines under the ice, go beyond most people's understanding of reasonable, straightforward and safe transportation."

"Yet if you look at the record of submarine Arctic travel since the last war you'll see there has not been one single accident. It is spotless. Compare that with surface ships in the same area. Even recent experimental icebreaker surface tankers have had to be hauled out by other icebreakers or have collided with icebergs. People don't realize that with modern sounding equipment, Arctic subs can actually 'see' better than surface ships up there battling the worst of the elements in half solid seas in an Arctic night. But putting Jules Verne to bed - that's the problem."

Where is McLaren going to succeed where so many others have failed? "First, I'm by no means alone. And second, I'm running counter to the grandiose plans of old - I'm thinking small." His idea is to use standard size subs, not as tankers, but as underwater tugboats. They would carry oil in neutral density Kevlar shapes like those the Australians use to haul water around their coasts. With submarines of existing technology - pressure hulls, diesel motive power - research and development would take half the time with none of the risks associated with untried huge pressure hulls. They would give access to shallow-water wells in the Beaufort and to all



normal-size polynyas - the regular but shifting gaps in the polar sea-ice.

The environmental lobby, such a powerful factor, especially with pipeline planners, should approve of subs too, McLaren thinks. Not only do subs not smash up the ice floes, with their animal and bird life and Inuit (Eskimo) hunters, but the very quietness of military submarines would eliminate one of the biggest objections to icebreaker super-tankers - the noise of their engines. It is widely held that the roar and propeller beat of a 43,000 horsepower engine severely disrupts the lives of whales and other sea mammals which depend on sound detection.

McLaren's "think small" approach is echoed by IRL (Ingénieur Kantar Lubbeck), a German design firm with links to Vickers, which has been doing feasibility studies on submarine barge systems, in which barges would clamp on to carrier subs transporting loads

which they winch up into their hulls. IRL is also working on fuel cell power, the unmechanical conversion of hydrogen and oxygen into electricity - an ideal alternative to nuclear power, duplicating nuclear's great ben-

A sea route could do what railroads did for the West

efit of allowing extended stays underwater.

Micropi SpA of Milan is also working on a new commercial submarine. It would be powered by a new non-nuclear diesel engine which feeds on compressed oxygen. They have already tested it in a submarine which, with some adaptation, could be tested in Arctic conditions.

But all this enthusiasm means nothing without the active participation of the oil companies. Geoff Laminie of BP says that oilmen know and trust pipelines - but if they were out, he would choose submarines before icebreaker tankers.

David Anselmy of Canada's Dome Petroleum, one of the biggest explorers of the far north, is in favour of icebreakers. "We're testing them now, and not having a bad feedback. In winter the swathe we cut through the ice pack closes in two hours."

"Everybody underestimates the lead time for developing," says IRL's Dr Fritz Abels. "Even Captain McLaren was astonished at our projections. We need to know what people's actual requirements are, so we can move smoothly through development to a demonstration model and through to production. We have the technology. Our studies show submarines on a cost basis compare favourably with ice-

breaker tankers and pipelines. But now designers, builders and oil companies should come together in a spirit to pool risks and knowledge, because the project is too big for any one of us. And at the least we need seven years."

One reason why oil companies have not taken up this or any other new idea is that there is no rush for oil at the Canadian Arctic coast. The current oil glut has taken the edge off the 1970s' desperate struggles for self-sufficiency at any price. When the Saudis are only producing five or six million barrels a day instead of their potential 11-14 million, you can see how much things have to change before 'High Arctic oil provokes a stampede. On the other hand the fact that a troubled company such as Dome (currently stretching bankers' faith with a six billion dollar overdraft) is proceeding with exploration which - with any luck - will start producing oil in the 1990s may indicate the expectations of oil prices in the next decade.

Where does this leave the good visionary Captain McLaren? Still pursuing his project - and not without soul-mates. A former president of Humble Oil saw the North-West Passage as the catalyst which could open up the resources of far-northern Alaska and Canada to the world. "A year-round sea route in this area could do for the Arctic what the railroads did for the Western US - and might do it quicker."

"The trouble is vision," declares McLaren. "In the early days technological capability didn't keep pace with vision. Today, vision hasn't kept pace with technological capability. The next step is to bury Jules Verne. About 20,000 leagues under the sea would do just fine."

Falashas are still fledglings

Beersheva: There is widespread bitterness among the estimated 10,000 recently arrived Ethiopian Jews about the refusal by Israel's two chief rabbis to permit them to be recognized as fully fledged Jews without undergoing a ritual conversion ceremony.

The strength of feeling among the Falashas who arrived in "Operation Moses" has gone relatively unnoticed because of the strict ban on all reporters - Israeli and foreign - from entering the absorption centres run for them by the Jewish Agency.

No satisfactory reason has been given for the ban, but there is a suspicion among social workers that the agency is unwilling to permit the newcomers to air their grievances, particularly the first refusal of young Falashas to undertake the immersion in a ritual bath demanded by the Rabbinate.

In this Negev Desert town, where some 20 per cent (about 3,000) of all the Falashas in Israel are to be found, the anger felt about the conversion issue is blamed by community leaders for last month's suicide of a young Falasha who jumped from an upper storey of the government hospital.

We are the Jews who have paid the highest price in all the world to come up to Jerusalem, and yet, when we arrive, we are treated differently from the white Jews," complained Mr Rahamin Holar (not his real name), aged 41, an Ethiopian who has been living in Israel for four years, and works for the Ministry of Education.

The chief rabbis have so far refused to revise their ruling despite protests from senior religious figures including former Sephardi chief rabbi, Ovadia Yosef, who ruled last month - in his current capacity as a private citizen - that the Falashas are fully fledged Jews.

Because of the Jewish Agency ban on all coverage of life in the absorption centres - where the new arrivals stay for an average of a year - an official view on the operation mounted here, in the wake of Operation Moses, was impossible to come by.

At the three star Zohar Hotel in Beersheva, whose 150 rooms have been turned over entirely to single Ethiopians, I was turned away at the entrance. Young Ethiopians whom I questioned on the steps about the controversial conversion question refused to answer while under the suspicious gaze of Jewish Agency staff.

In addition to the anger on the conversion issue inside the tight knit Falasha community, bitter arguments still rage about what provoked the Israelis to admit publicly to running the airlift and thus cause its premature termination while thousands of their fellow citizens were still stranded at disease-stricken camps in Sudan waiting for rescue.

"We have analysed all the reasons, and it is hard not to think that the Israeli Government did not - or could not - absorb any more of us here," said one Ethiopian who refused to reveal his identity for fear of compromising relatives at home.

Despite the veil of secrecy, it is apparent that the great majority of those who have arrived are genuinely pleased to be in Israel. Allegations by Ethiopia's Marxist leader, Colonel Meles Zenawi, that they had somehow been forced to come here, were contemptuously ridiculed by every Falasha I spoke to.

Many of the new black immigrants still struggling with the basic rudiments of Hebrew and the vast cultural differences of a technological society - appear to have little knowledge of the international controversy sparked by the decision disclosed earlier this month that the Housing Ministry is planning to send an unspecified number of Falashas to the settlement of Kiryat Arba, in the occupied West Bank, and Kfar Yehoshua, on the Golan Heights, built on land conquered from Syria and annexed by Israel in 1981.

Christopher Walker

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- Olivet (5,2,6)
- School exam (1,1,1)
- Christmas (8)
- Icterus (8)
- Transfer (4)
- Pounding tool (6)
- Foil decoration (6)

DOWN

- Calcium hydroxide (4)
- Large crowd (9)
- Attempter (5)
- AC anthem (5)
- Time period (4)
- Alto (10)
- Admission (5)
- Nasty (5)
- Orientalism (5)
- Anger (9)
- Sit for (4)
- Smokey fog (4)
- Rub one (5)
- Useful (5)
- School leave (5)
- Tree trunk lump (4)
- Boat's lowest part (4)

سكيا من الامل

WEDNESDAY PAGE

هكذا من المعلن

Why this could be the age of the older woman

Society is ignoring older women and their special needs. Helen Franks reports on how this formerly docile group is now getting together to organize a fight for its rights

I remember some years ago listening to a woman in her eighties explaining why she wouldn't go to a day centre. "The people are so old there", she said.

We're all a bit like that when it comes to ageing. We tell ourselves we are only as old as we feel, and what we feel is not old at all, forgetting that just as we label our contemporaries more middle-aged or more feeble-minded than we are, so they are likely to judge us.

It works even more effectively against the female than the male. "Old" where women are concerned tends to include anyone from 50 upwards. It's what comes of being in a male-dominated culture which also happens to be hooked on youth. Of course, to be old and male is no guarantee of acceptability either, but men have more staying power, having never been primarily evaluated according to their looks. They have greater opportunity to gain worldly success, and the respect that goes with it. They have a better chance of being admired for wisdom and judgement - things that can come with experience and age.

Once upon a time old women were wise, even rather dangerous, if you include witchery. Now they have been neutered, their flying brooms and magic spells replaced with knitting needles and bedsocks. Older women are supposed to be inoffensive, kindly grannies who keep away from trouble, and if they act out of character and do something positive like refuse certain drugs or object to being rehoused they risk being called stupid, intractable and probably senile, rather than people who want to have a say in their own lives.

The problems go deeper than stereotypes. There's a whole lot wrong with society's treatment of older women: the pension system, for example, which requires a long span of National Insurance contributions to qualify for full benefit. Many women have an interrupted work record through child-rearing or caring for an elderly relative. Part-timers - and 90 per cent of them are women - are often excluded from firms' occupational pension schemes.

Married women do not qualify for invalid care allowance, though married men nursing sick wives do. The back-up for carers, most of whom are women, is often inadequate and ever-threatened by increasing cuts. Surveys have shown that the main health problems for carers are back pain through lifting invalids and the inability to have physiotherapy or other treatments because there is no one to deputize for them at home.

Though women's organizations have always provided meeting places and community activity, few have a tradition for

campaigning or working as pressure groups on these kinds of issues. Even the women's movement, staunch exposé of female stereotypes and social inequalities, has only recently begun to take up the causes of older women. Emily Pankhurst might have been 59 when she was arrested in the cause of women's suffrage, but latter-day feminism began with a younger age group - students, housewives with small children, and those without family responsibilities exploring their own uncertainties and often emerging angry and militant. Older women who were interested in their ideas were often put off: they felt excluded, intimidated.

There were a few exceptions. The North London Older Women's Group has been meeting fortnightly since 1978, and today signs of much greater expansion can be seen. The Older Feminists' Network began in 1982 following a meeting organized by *Spare Rib* magazine. It is mainly London-based, reaching about 200 women through a newsletter and monthly meetings, and the aim is to form pressure groups and lobby MPs on various issues including housing, health, transport for older women, as well as race and disability. The GLC women's committee also has plans in the pipeline. Sheila Tarbard, equality adviser within the women's unit, is organizing an open meeting this April in order to define the issues.

Pensioners' Link, a self-help organization with workers in 12 London boroughs, is holding a conference this month on the needs of older women. And the Kingsway Project, the GLC's "multipurpose resource centre for women", formerly the Kingsway Hall, has plans in mind for the over-fifties. At present, various adult education classes, day centres and women's groups are being consulted for ideas; there will probably be special sports facilities, keep-fit classes, courses on coping with widowhood, living alone, along with a library and low-cost restaurant.

Even GLC abolitionists will surely see some worth in all this. At present, there are four times as many female pensioners as male at the age of 75. Nearly half of all women over 65 live alone, compared with 21 per cent of men. As the population ages, there will be more and more older women whose welfare will have to be considered. The need will arise for more day centres, more sheltered housing, more home nursing, more transport facilities for the old, more support for the carers.

It is this last factor which must be making the policy-planners in Whitehall cross their fingers. What will happen if younger women refuse to be as self-sacrificing as their mothers.

The friendly way to bridge the gap

Mary Stott, writer and broadcaster, says: "However fond mothers and daughters are of one another there is an inevitable and permanent generation gap which is usually insuperable. Mother seems to regard daughter as scarcely grown up, even though she is a mother of teenage daughters herself. Daughter tends to regard mother as insignificant in my seventies is that the generation gap is not insuperable when the elderly lady and the woman of 30 plus (whether married or single, a mother or childless) are friends, not mother and daughter."

"The older I grow, the more I find that the younger women with whom I associate in my feminist campaigning activities and my neighbourhood involvements regard me with supportive affection. They regard me as a useful source of information - for after all, I have been in the business of acquiring and passing on information; and they know that because in my youth I was prevented by age-old sex prejudice from doing jobs I had set my heart on doing, I am ready to back them to the hilt."

Before I Go by Mary Stott will be published by Virago tomorrow at £4.50.

A FAIR DEAL FOR PENSIONERS



Things are worse

Molly Prendergast (above) is 77, twice widowed. She is now a campaigner with Westminster Letter Pensioners, a voluntary group seeking better pensions.

"We campaign for a pension we can really live on, so we don't have to apply for all these supplementary benefits which are means tested. "A lot of people who are older say, well I've worked all my life and I don't want to get involved with campaigns. I automatically went into campaigning. "I don't wonder that there are millions of benefits unclaimed every year. Oh my goodness, what you've got to go through. You have a four-sided form to fill in and you have to take all your bits and pieces, your savings, anything you've got. There's nothing private any more. It says at the end of the form something like 'If you have not declared this truthfully you are liable to be fined', and it frightens the life out of people, especially women who are not used to form-filling."



if they challenge the idea of the female as the person to fall back on as chief carer in the home?

The question is already being addressed in America. As writer Barbara Macdonald puts it in her book on ageing, *Look Me In The Eye*: "If we face the problem of caring for our



Treated as idiots

Zelda Curtis (above) in her sixties, was involved with one of the first groups within the women's movement to be concerned with older women's issues, in 1978.

"When you get older women together the things that come up are transport, housing, health, fear of violence, being the carer. There's a great deal of poverty among older women, and that means they haven't got transport of their own. A lot of women are worried and fearful of using public transport, especially in the evenings. "I'd like to see older women have more of a say in the design and layout of sheltered housing, not only to make it safer. I've seen door after door facing on to a long, dark corridor, and it's like living in a prison. "Health is another big issue. A lot of doctors dismiss physical complaints as depression or say 'it's your age', and treat women as idiots. Bearing in mind that one woman in four over the age of 65 gets osteoporosis - brittle bones - there ought to be more diet advice from doctors."

We are invisible

Jean Shapiro (left) is 68, married, has three children and four grandchildren. She was editor of the Family Centre section of *Good Housekeeping* for 15 years, is now working two days a week answering letters for *Good Housekeeping*.

"The older woman is invisible in many magazines. She rarely if ever appears in photographs or drawings. I've been told that it is really not too hard to publish a series on older women because they are so difficult to illustrate - they are seen as an unattractive subject. It is difficult to find illustrators who can portray older women sympathetically and not as a caricature. "I think few older women come to terms with the problem of choosing clothes. They are so frightened of looking like the proverbial mutton dressed as lamb that they tend to go for very conservative clothes and don't know how to modify their style. One difficulty is that the image of the well-dressed older woman is somebody dressed in very expensive, exclusive clothes which of course the majority can't afford. "A kind of apartheid exists between old and young. My husband and I go to jazz concerts, at some of which we are the oldest people in the audience. There is a feeling that when something is created for the old it becomes a ghetto."

None of us, and this goes for men too, can afford to say that we are only as old as we feel. It's being as old as we are that counts, and then taking appropriate action. The Older Feminists' Network, c/o A Woman's Place, Hungerford House, Victoria Embankment, London WC2. Sheila Tarbard, GLC Women's Committee, The County Hall, London SE1 7PB. Pensioners' Link, 17 Balfe Street, London W1. The Kingsway Project, Jenny Williams, c/o The County Hall. "Look Me In The Eye" by Barbara Macdonald, published by The Women's Press, £2.95

FIRST PERSON

Rupert Morris

Some people's home life revolves round the sitting-room, others round the bedroom, others round the pub. Ours tends to revolve increasingly round the skip - a world at once fascinating and dangerous, as I shall endeavour to explain.

Country dwellers may not be familiar with the skip which, although it can be glimpsed in rural builders' yards, is essentially an urban phenomenon. It is to be found in those streets in which estate agents refer to as "rapidly improving", but which might more accurately be described as dilapidated. Our own street in west London is one such.

People who buy houses in these streets need somewhere to put all the wreckage they have to remove in order to make their new homes habitable: the skip is the large metal receptacle which is deposited at the side of the road by lorry for this purpose.

But it has similarities with certain rural habitats. It is, as David Attenborough might say, a magnet for all sorts of life-forms. And, like the badger's set, or the owl's nest, it comes into its own at night.

On an ordinary night, preferably during the summer when more creatures venture out, the skip-watcher might observe something along the following lines: a cider-drinker, heralding his approach with some faint, tuneless singing, pauses by the skip, peers in and picks out a broken umbrella; he carries it along for a few unsteady paces, then, having discovered that it is indeed broken, jettisons it on the pavement.

Next comes the distinctive noise of a Ford Cortina with a broken exhaust, which roars up to the skip and disgorges two young men in jeans; they lift a sack of building debris out of the boot, heave it into the skip, and roar off.

A little later, and an elderly lady from over the road opens her front door, looks right and left, then shuffles with unaccustomed speed across the road to deposit a derelict carpet sweeper.

If you want a full life, you're never alone with a skip



motivated by anything but peaceful curiosity.

The typical skip-watcher is driven by an almost obsessive jealousy which originates from the depressing experience of hiring a skip, leaving it empty the first night, and waking up to find it at least half full, even before he has cleared the first bit of builders' debris from the house.

The skip he is watching is his own, temporarily at least, and his burning desire is to "catch one of the bastards" in the act of putting something in it. To this end, he may even be armed with a blunt instrument.

Big John, who owns one of the houses in our street, has no need of a blunt instrument. He himself has only a little smaller than his house. He stands by the skip most of the day, and nobody goes near it. By the time evening comes, the skip is full of rubble, and of little use to neighbourhood scavengers.

We hired a skip the other day, and took care to fill it up before anyone could get near. The trouble is that we keep acquiring more debris, and it doesn't seem worth ordering another skip every time.

My wife and mother-in-law have a simple solution: use someone else's. I have tried to point out the anti-social aspects of this activity, but to little effect.

Whenever my mother-in-law comes to stay, the pair of them gather together all the rubbish they have collected during the day, and after dinner they set off in the car to find a suitable skip. Whether they disguise themselves I do not know, having retreated upstairs to watch television.

What worries me even more than my social conscience is the fear that one day they will fall foul of one of those vicious, embittered people who lurk behind heavy curtains in upstairs windows.

woman's journal

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April issue out now

Rise to the occasion with a savoury roulade

The idea that soufflés are perilous makes them an event in any company. No one is too blasé to greet a well-risen soufflé without a smile of pleasurable anticipation.

Hot savoury roulades are no more than rolled soufflés, but less risky. They embrace the principles of soufflé making while reducing the chances of a flop. And for numbers greater than four, roulades are more practical than dish soufflés. One rolled soufflé will give six to eight servings.

Cheese and ham roulade
Serves six to eight
30 g (1 oz) butter
30 g (1 oz) plain flour

300 ml (1/2 pint) milk
55 g (2 oz) freshly grated parmesan cheese
5 large eggs, separated
Salt and cayenne pepper

For the filling
225 g (8 oz) fresh curd or cream cheese
225 g (8 oz) diced ham
2 tablespoons chopped chives or parsley
Salt and cayenne pepper
2 tablespoons melted butter
2 tablespoons freshly grated parmesan cheese

Prepare a Swiss roll tray about 30 by 35 cm (12 by 14 inches) by oiling or buttering it

generously and lining it neatly with oiled or buttered grease-proof paper or baking parchment.

Melt the butter in a saucepan and stir in the flour. Cook the roux for a minute or two without allowing it to colour, then gradually add the milk, stirring constantly on a low heat to make a smooth sauce. Add the cheese and stir until it has melted completely, then take the sauce off the heat. Beat in the egg yolks one at a time and season the mixture generously.

Whisk the egg whites until they hold stiff peaks and fold the meringue into the cheese sauce. Turn the mixture on to the prepared tin and spread it evenly. Bake it in a preheated moderate oven (180°C/350°F, gas mark 4) for about 15 minutes, or until it is just firm. As soon as it is out of the oven, cover the roulade with a tea-cloth and turn over the tin and cloth together, depositing the soufflé on the cloth. Peel off the paper.

To prepare the filling beat the curd or cream cheese until it is smooth, thinning it with a spoonful or two of milk or cream if it is too stiff to spread on the fragile soufflé mixture. Spread the cheese to within 1 cm (1/2 in) of the edges and



Shona Crawford Poole

sprinkle it with the ham, herbs and seasoning. Now, using the cloth to fold the roulade, roll it loosely, Swiss-roll fashion, from one long side to the other.

Place the roulade on an ovenproof serving dish and brush it with the melted butter. Sprinkle with the grated parmesan and bake it for another 10 to 15 minutes at the same temperature. During this second baking the roulade will puff up and finish cooking. Serve it immediately.

Cherries are the usual fruit in clafoutis, a rich batter pudding that comes somewhere between custard and cake. Good cherries are hard to come by at this time

of year, but Thompson seedless grapes from South America are in good supply.

Grape clafoutis
Serves four to six
450 g (1 lb) ripe seedless grapes
2 large eggs
85 g (3 oz) caster sugar
3 tablespoons plain flour
1/2 teaspoon salt
150 ml (1/4 pint) double cream
300 ml (1/2 pint) milk
2 tablespoons kirsch or cognac

Spread the grapes over the base of a well-buttered ovenproof dish. A china quiche dish is ideal.

Put the eggs and sugar in a bowl and beat them together until the mixture is thick and light. Add the flour and salt and beat until smooth, then gradually beat in the cream, milk and kirsch or cognac to make a light batter.

Pour the batter over the grapes and bake the pudding in a preheated moderate oven (180°C/375°F, gas mark 5) for about 45 minutes or until the clafoutis is golden brown on top and set, but not too firmly. Serve it hot or warm with a sprinkling of caster sugar on top and chilled cream or yogurt.

SPECIAL RECIPE
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From Chemists
Special Recipe

Falashas are still fledglings



THE TIMES DIARY

Washington gold

Now it can be told. More importantly, now it can be sold: a report, hushed up for the past 20 years, of how aspiring presidential candidate Richard Nixon traded gold with the Vietnamese. It happened when Nixon visited Saigon in 1964 during a well publicized world tour. On his second day Nixon donned army gear with no identification and travelled on a secret mission to a village called An Loc. There, in a clearing, he negotiated with a Vietnamese lieutenant for the release of five US prisoners in exchange for a crate of gold bars. The prisoners were never identified, but sources suggest one may have been a US general's son. Hollis Kimmons, the sergeant involved, had no written orders, his clothes and camera film were destroyed, and he signed a 20-year agreement to secrecy. Now unburdened, Kimmons is offering the scrap of notebook paper on which Nixon scribbled his thanks to him - for \$2,500.

Gin and bear it

That wimpish American mix of white wine and water was Nigel Lawson's poison yesterday, despite Booth's gin advertisement showing Lawson and his box. The humourless Treasury regards the ads as "very unethical" and is complaining to the Advertising Standards Authority. Lawson is shown in the ad with the caption "You, too, have a duty to your cabinet. Insist on High and Dry". After yesterday's budget, it seems that's just how he left us.

● The outgoing Soviet '82 union leader, Bill Keys, has apparently been offered the job as the *Daily Mirror's* industrial consultant at £46,000 a year by Robert Maxwell. Keys, who, unlike Maxwell did not deny it yesterday, has turned his old friend down.

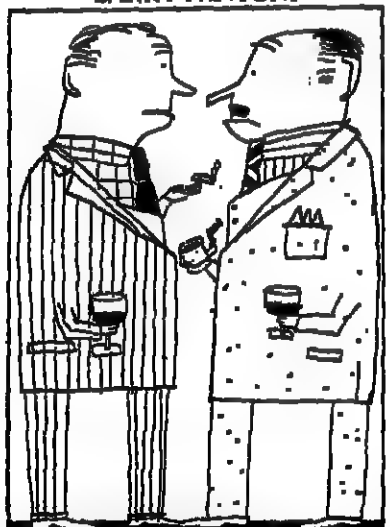
Walk-off parts

Another act in the continuing drama at Hammersmith's Riverside Studios, where the artistic director, David Gothard, was sacked as a condition of the GLC funding a fortnight ago. Nine letters have been dispatched on orders from the GLC, asking for redundancies with a six-month pay-off, including one to literary manager, Simon Usher, and technical manager, Rory Dempster. David Leveaux, who took the studio's production of *I, Maccus* for the *Midwest* to Broadway, didn't get a letter; he was simply told he'd "resigned" - which he hadn't.

Overwork to rule

Civil servants are beginning to think their CPSA union leader, Alistair Graham, has lost his marbles. As part of the industrial action now being considered against the Government's 3.9 per cent pay offer, Graham has suggested taking action Japanese-style. He has elected that everyone turn up for work one hour early as a protest.

BARRY FANTONI



'I'm a sort of arms manufacturer - I make seats for soccer stadiums'

All in a name

Scottish farmer Patrick Hope-Johnstone is to revive the long-dormant Earldom of Annandale and Hartfell. Since his marriage in January, several objections have been sent to the Lords Privileges Committee which considers his claim to the title in June. These come mainly from a branch of the family called Soutter, whose ancestors also blocked attempts by earlier Hope-Johnstones to claim the title last century. The earl who held the title in the 1650s is responsible for this prolonged dispute: having no male heir, he resigned the earldom to the Lord Protector, Richard Cromwell, so that a new earldom, transmissible through the female line could be created. The Hope-Johnstones lay claim to the second earldom, which petered out in 1792. The Soutters, who point to a nineteenth-century Lords ruling that the earl's resignation was invalid as Cromwell was an usurper, are searching for evidence to support their own claim to the first earldom. Expect a settlement sometime next century.

Headlines

Flavour of the month in public school circles is Tonbridge head Christopher Everett. He is my tip to succeed John Rae, who quits Westminster School next year to seek a new challenge. Rae was still waiting for the big offer yesterday. The 6ft 4in Everett has no teacher training, having left the Foreign Office at the age of 36 to become head of Worktop College. He has been head of Tonbridge for the past 10 years; his nickname, boys, on a poscard please.

PHS

Budget with the seeds of reform

by Sarah Hogg

There is the seedcorn of a very welcome reform of personal taxation in this Budget. The Chancellor has taken on board the bias in the national insurance system against the unskilled unemployed looking for full-time work and the bias in the system of personal income tax in favour of married couples who both work and against the family breadwinner with a non-working wife.

These distortions create social inequities: they are also singularly unhelpful to Nigel Lawson's attempts to lower unemployment. While the number of jobs in Britain has increased, on his figures, by about half a million in the past two years, too few of these new employees have come off the dole and the total number of jobless has gone on rising.

Most of the new jobs have gone to part-timers, whom the existing national insurance system makes about 20 per cent cheaper to employ. And most of these new part-timers were not previously on the dole but out of the labour force altogether - mainly married women, encouraged into employment by an income tax system which penalizes those who stay at home.

Mr Lawson has tackled the national insurance problem directly: by lowering the contributions of the lower-paid from nearly 20 per cent of earnings (from employees and employers) to 10 per cent, rising to the full rate only at £130 a week, he

has reduced the massive incentive to employ part-timers below the national insurance threshold. He has also, of course, increased take-home pay at the bottom of the earnings scale and so filled in part of the "poverty trap". This is a far better way of spending money on the reduction of labour costs than by spreading it right across the board through small overall reductions in national insurance rates.

There are, however, signs of obstructions ahead. Mr Lawson has abolished the upper limit on employers' national insurance contributions making it even more like an ordinary payroll tax than it already is. But on the employees' side of the fence, the Government is still sticking to the "contributory principle" beloved by the Prime Minister, which means a pretence that national insurance is not just income tax under another name but genuinely "earns" social benefits.

For the moment - since the Government clearly has not decided what to do with the state earnings-related pension scheme - such caution was probably inevitable. It must not be allowed to stand in the way of sensible long-term reform.

We will have a much better idea of that by the autumn, on receipt of the Chancellor's promised Green Paper on personal taxation: for an income tax, he has given us only his thoughts, not action. Again this year,

the basic allowances have been increased (those for the retired slightly less, in proportion, than for those of working age) quite uniformly: here Mr Lawson has undoubtedly gained the maximum of political satisfaction from the meagre resources at his disposal, but also dissipated their impact on the jobs market.

This seed bed of reform, in other words, is being given a long period of germination. The dull reason for this is, as usual, that it requires the full glories of the new Inland Revenue computers to effect automatic transfer of personal allowances from spouse to spouse. The essential element in Mr Lawson's plan for income tax is that married couples should each have a tax allowance whether or not they are both at work: a non-working partner should be able to contribute to the family's net income indirectly by transferring her (or his) allowance to the other partner.

Whether or not this technical excuse is enough, the Chancellor has other reasons for delay. The political one is that he has acceded to requests for public consultation on such a sensitive area of taxation rather than tossing out tax decrees in the dictatorial manner enshrined by Britain's traditional budget system. Such consideration is, indeed, a welcome concession to democracy but it is clear that it has been granted partly because the Chancellor is

strapped for cash. The necessary restoration of his financial credibility has sliced nearly £3 bn off his £10 bn scope for tax cuts between now and the next general election, so reform in this Parliament has been made more difficult.

This is not because the change in allowances Mr Lawson has in mind would actually cost money: it would probably save a little revenue. It is because any reform - needs to be sweetened by tax cuts all round, to disguise from those adversely affected the shift in the tax burden.

Not only has Mr Lawson scaled down his scope for tax cuts, he has also blocked off some alternative sources of revenue. Aside from what is wished on us by the EEC, we are not going to see major extensions of VAT this Parliament. This is, no doubt, a political tranquillizer, but its consequences for tax reforms are obvious.

It remains a disappointment, however, that Mr Lawson's thoughts on income tax restructuring were not sufficiently formed to take green-paper shape with this Budget - or even before. Some start could have been made, whatever the computers say.

As it is this vital reform will only be sprouting as the electoral threshing-machines comes trundling down the field. The last time the Tory government attempted serious reform of tax and benefits it was lost at the general election: to lose the opportunity twice would smack of carelessness.

Edward Mortimer on why 'Peace in Galilee' still seems remote



Peres, left, Shultz mourning Shi'ite Muslims in front of a blasted Beirut building and demonstrators who held the US to blame.

Will Peres bow out with his troops?

His objectives will be twofold: first, to keep the Israeli casualties to a minimum and, secondly, to ensure that the Israeli public draws the right political conclusion - not that it is wrong for his government to withdraw, but that it was disastrously wrong for the previous government to invade so far into Lebanon and to stay so long.

So far, it seems Peres is succeeding in the second objective. His popularity has increased greatly since he became prime minister (although this has been true of all previous Israeli prime ministers in their first year in office) and if he is under pressure from public opinion it is to speed up the withdrawal rather than slow it down. It is not certain, however, that the public mood will remain the same if and when the casualties begin to include civilians on the Israeli side.

The other reason for Peres's popularity is that Israelis believe his government is dealing firmly and wisely with the economic crisis. This belief is not shared in Washington, as senior members of the Reagan administration have made clear in congressional testimony. According to George Shultz, US secretary of state, Israel's efforts to control its economy have been like clamping a lid on a boiling pot.

"You have to keep your eye less on holding the lid down and more on how high you've got the heat turned up," he told the Senate appropriations subcommittee on foreign operations recently. W. Allen Wallis, under-secretary of state for

economic affairs, said: "The plan they have won't do the trick." Washington wants Israel to move towards free-market doctrine and away from the government intervention and control which has been traditional under Labour and Likud governments alike. It believes Israel should do away with the indexation of wages and welfare benefits, and subsidies.

It would like to see repeal of the law which requires the Bank of Israel to print money in whatever quantities are needed to cover the state deficit, and the creation of something like the US Office of Management of the Budget to ensure that government departments stay within their assigned spending limits. The US also favours a devaluation of the shekel by between 25 and 50 per cent.

This advice was put very firmly to Israel's finance minister, Yitzhak Moda'i, when he visited Washington in the first week of March, asking for \$1.5 billion (£1.36 billion) to rebuild Israel's foreign currency reserves in addition to the regular economic aid (expected to be \$1.2 billion in fiscal 1986) and the military grants of \$1.8 billion.

But the administration always negotiates with Israel from a position of weakness, because of the tendency of Congress to take Israel's side. Old hands on Capitol Hill expect that Israel will get away with an \$800 million "supplemental" in the financial year 1986, after conceding at best only some of the economic reforms suggested. That could well mean, in Wallis's words, that the \$800 million "will disappear and their economy won't be any better off. They'll face bigger problems later on and they'll be back for more money, with worse problems." Or, as one seasoned Washington cynic put it to me: "It'll run out about the time Shamir takes over."

Yitzhak Shamir, leader of Likud and deputy prime minister and foreign minister, is due to replace Peres as prime minister in October 1986 under the agreement by which the coalition was formed last September. In fact, few people in Washington believe the government will survive that long. It is generally described as a "government of national paralysis", whose mandate enables it to deal only with the immediate crises of the economy and Lebanon.

Least of all is it capable of acting on a West Bank "peace initiative", which is one reason why American policy makers think it unwise to put pressure on the coalition to do so. Peres's own response to the latest Mideast initiative was rather more positive than that, in public anyway, of the US administration.

The hope in Washington is that Peres will get credit for the Israeli electorate for the Lebanese withdrawal and for trying to cope with the economic problems, while the odium for any unpleasant decisions falls on the Likud ministers who hold the economic portfolios. The right moment for a peace initiative, which would split the government on the issue of the West Bank, would be when Peres's popularity is at its peak so that he can dissolve the government and hold new elections in which peace would be the main issue.

However, Washington does not control their timing, still less the content of Arab peace moves, nor can it foresee with certainty the movement of Israeli public opinion. Indeed, Peres cannot call a general election whenever he feels like it: such a move needs a decision by the majority of the Knesset. The odds against peace are still heavy.

What offends many thinking Nicaraguans is that these people tend to take home the same cosy view of the revolution with which they arrive. In the zone explored by our bus, soldiers admit that combat boot counts are exaggerated to Vietnam proportions. Shortages of toilet paper and the rest, for ordinary people, are made more acceptable if the army is winning great victories.

"Who needs toilet paper anyway?" said one merry *internacionalista*. "If I get depressed I just buy a bottle of Flor de Caña rum and get wasted. It's wonderful." Homage, as they say, to Catatonia.

Paul Pickering

Francis Pym

Yield that would bear fruit

The economic, social and human costs of the miners' strike have been immense. The issues it has raised are still unresolved. But it has had some redeeming features. It may have divided opinions deeply, but it has also crystallized the issues.

Perhaps most importantly, the opportunity for a constructive dialogue between the Government and the TUC has emerged. If that opportunity is now taken, something of great value will have been salvaged from the wreckage of the last 12 months.

The role of the TUC, and of Norman Willis in particular, in the closing weeks of the strike was significant, although it should not be exaggerated. Contrary to Arthur Scargill's belief, the TUC did not betray the mining industry, nor did its actions imply any new-found support for Government policy. However, the TUC did choose decisively to reject the political vandalism and economic insanity of the NUM leadership. It aligned itself firmly on the side of democracy and common sense: an alignment that has sometimes been in doubt over the last decade and more.

If the Government is wise it will build on that beginning. For the last six years it has studiously avoided formal contact with union leaders. In the beginning this was defensible: there was strong support throughout the country for a reduction in the unions' economic and political power. But ultimately this lack of dialogue is untenable. If government, industry and unions cannot find some way of reconciling their differences and working in partnership, the likelihood of economic regeneration will remain remote.

The case for a partnership is both immediate and immense. British industry is less competitive internationally than it was six years ago. There is a need for a dramatic further improvement in productivity. There is a need to introduce new technology as rapidly as possible. There is a need to restrain wage increases and reduce inflation further. There is a need to create an industrial climate which attracts new investment to the country. The Government cannot cause these things to happen, but its actions substantially affect their likelihood. Without union support, the changes will take place slowly, if at all. Without the changes, economic progress is impossible.

The Government has one major obstacle to overcome in securing union support for the necessary changes. Nearly four million people are already out of work. Most productivity improvements will cause a further short-term rise in unemployment: new technology may well cause a long-term rise. In the present circumstances, how can the TUC be expected to connive at the continued erosion of jobs?

For several years, union leaders have had to make an unenviable choice. Either (like Bill Sires and others) they have had to accept widespread redundancies among their members, while trying to secure the best available terms. Or (like Arthur Scargill) they have

refused to accept redundancies and, in consequence, have espoused a policy that will lead to the economic destruction of their industries. That is not much of a choice for a union leader to make, but it remains the only effective one.

It is in the interests of both the Government and the country as a whole that union leaders should be encouraged towards the first alternative. They can do so with honour only if far more attention is paid to the future of those who are out of work. The Government needs to do more for unemployment and more for public and private-sector investment than it has done hitherto. Only then will union leaders genuinely be able to feel that, despite short-term losses, they are acting in the true long-term interests of all their members.

A new partnership needs the right climate and firm political will on both sides. The end of the miners' strike provides a favourable climate. The responsibility shown by the TUC at its close indicates how much has changed within the unions in recent years. The question now concerns the political will of the Government.

The Government will not want to see, and nor do I, a return to the hollow consensus of the Wilson-Callaghan years. There is no future in that. However, the harm done at that time was caused not by the existence of a consensus, but by the false principles on which it was based. A true consensus is now required, and that will involve some compromise on both sides.

Addressing the 1922 Committee last summer, the Prime Minister spoke of the need to build on the relationship with the unions once the strike was over. Now is the time to put that into practice. We are already in the post-industrial society and all the change that implies. The Government should create a relationship with unions and management in a co-operative spirit, not an interfering one.

Each party has its distinctive roles and responsibilities but all are working to the same end, the prosperity of the nation. Each must accept they cannot have everything their own way. If the Government chooses not to yield an inch on its policies, not to attempt any rapprochement except wholly on its own terms, it will ultimately undermine its own objectives more surely than by any other means. What does not bend will break, and that is as true for governments as it has been shown to be for the NUM leadership.

"It isn't the winning or losing, it's the securing of futures." That remark was made by a striking miner some months ago. It could equally well have been made by the Government or the National Coal Board. Somehow the chasm between how each side interprets those words must be bridged. We must learn to work through shared objectives to a shared future. That is the challenge that remains in the wake of the strike.

The author, a former foreign secretary, is Conservative MP for South-East Cambridgeshire.

moreover... Miles Kington

More heat and dust, less light

Gandhi, Jew in the Crown, Heat and Dust, The Far Pavilions and now A Passage to India. It sometimes seems that a new film about India is opening every week. We are, it is said, smitten by India, even obsessed by the place. This is rubbish, of course. We are obsessed by the British connexion with India, which is a very different thing, and these films are not really about India at all, but about the British. When I was in India in February the talk there was not about *A Passage to India*, but about the latest film being shot there, an epic based on that well-known Indian citizen, Lord Mountbatten, in which the Pakistan leader Jinnah, incidentally, is being played by a Polish actor.

Well, it's all very understandable. Most of us go to a foreign country, or visit it in our imagination, in order to feed our preconceptions, not to learn from scratch. An Indian tourist official in Delhi told me that he could almost infallibly tell the nationality of a European visitor merely from what he or she displayed an interest in, or had prior knowledge of. The British were geared to Indian history, especially the history of the Raj. The French wanted to see Indian art, especially erotic temple carvings. The Germans, on the other hand, displayed most interest in Indian philosophy.

And the Americans? "Ah, the Americans are most interested in Inter-Continental hotels. That and Indian poverty. They love being shocked by the poverty in India. It is strange, really, they have very interesting views at home which they do not seem to notice."

Cynical, perhaps, but the Americans seem to have come very late to an interest in, or knowledge of, India. History has not thrown them together much, nor has Bhopal done a great deal to help. Besides, America has recently been more interested in supporting General Zia in Pakistan, and India has always had very strong friendly links with Russia - it was in a Russian spaceship that India's only astronaut ascended.

Still, American ignorance is inexcusable sometimes. During the Iranian hostage saga five years ago, when anti-Iranian feeling was running high in the US, several Indians were attacked by American

citizens on the grounds that they were probably Iranian, and I remember reading an account of a Sikh in California who was actually besieged in his house on the grounds that he wore a turban. I brought this up in Delhi.

"I was that man," said Mr K. B. Singh, one of those present. "Admittedly, there were some Iranians living in the neighbourhood, but I remember well having my house daubed in anti-Iranian slogans and undergoing the whole treatment. It is hard for a Sikh to have to suffer for the sake of the Ayatollah."

"When I went to America for the first time," said another Indian, "people were chiefly amazed by how well I spoke English. You have picked it up so quickly, they kept telling me. I gave up trying to explain after a while, and just basked in my intellectual aura."

Perhaps Americans will emerge better educated this summer after the massive cultural invasion of the Festival of India, which is geared to the idea that other people have lived in India besides the British, a lesson which we might learn as well. It was sometimes stressed to me in India that the British, whatever their faults, had behaved with total religious tolerance and had never, unlike the Muslim invaders, interfered with belief.

Not quite true, actually. Reading the history of the British army chapel in Madras, I found they were intensely worried by one neighbouring religious establishment. It was the French Catholic church in Pondicherry. Talk about taking one's preconceptions abroad...

"By the way," said K. B. Singh suddenly at the end of our international seminar, "do you know what is the best possible lifestyle of all? It is to have an American salary, a Japanese wife, Chinese cooking and a British mansion."

I had never thought of that. "And do you know what is the worst possible lifestyle? It is to have an American wife, a Japanese home, a Chinese salary and British cooking."

Truly an international story, displaying intimate knowledge of four nations, none of them the speaker's own. Perhaps we have some unexpected things to learn from the Indians.

Managua gringos playing at Che

Boy George was singing "Do you really want to hurt me?" on the stereo of the luxury tourist bus as we snored along narrow muddy roads north of Jinotega towards the banks of the River Wanks and the town of Wivil in search of Nicaragua's "dirty war".

After many hours in the pretty countryside, our Sandinista guides apologised for the absence of any struggle against US imperialism. They could not discover the communal farm the Contras had not only located but burnt to the ground a few nights before. One young soldier riding shotgun with his AK-47 tried to ask two pony-tailed locals, who turned coyly away, giggled and walked on. He blushed.

The idea that the Sandinistas can find their way around their own country let alone invade someone else's took a knock that day. Our bus driver was delighted, regarding us as an atrocity looking for somewhere to happen. But the trip did provide an opportunity to observe a political animal long thought extinct: the *internacionalista*.

On the two gleaming "press" charabancs there were but three of us who earned our crusts from scribbling. The rest were *internacionalistas*, a volunteer species of fervent verbal commitment if vague purpose last seen in Spain circa 1936 and whose fate is documented in Orwell's *Homage to Catalonia*.

Most revolutionary regimes around the world have read about the chaos in Spain and wouldn't touch these adventure-seeking groupies with a barge pole. But because the Marxist government needs doctors and nurses it has, until now, been prepared to let them in.

The medics have the rough end of the deal: on landing they are whisked into the jungle or remote hills to spend six gruelling months dodging Contra death squads. They go back home with a life-long phobia about anything more tropical than a cheese plant. A few aid workers are in the same category.

The other sort of *internacionalista* owes more to Harry Lime than Florence Nightingale. They have realised they can live like belted earls in the capital for next to nothing. The official exchange rate is between 10-40 cordobas to the dollar while the black market rate is 400-500. Some *Managua* say the American invasion has already taken place.

This sort of "in" rarely leaves the pleasant locale around the Hotel *Intercontinental* which has been dubbed *Gringoland*. Here he can meet other members of the new aristocracy and while away the whole day by the poolside munching lobster and drinking beer for a shocking four dollars.

As a consequence Lord Gringoland is quite poorly but with very long hair, an earring and bundles of old revolutionary newspapers under his arm to give the impression he is working. Lady Gringoland agonizes about the way the "Niquos" treat women but lusters after the dashing commandantes.

Formerly the *Gringolands* justified their existence by zioning for a month or so on a well-guarded coffee plantation but the government is coming round to the view it is better to leave the berries drop than the bushes ruined. Most pampered "in"s developed dysentery at the sight of these do-it-yourself gals.

The attraction was that those working on the farms have to do a whole week of military training. Actually, having a gun in the jungle and playing Che is heaven for the



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TOMORROW'S RADICAL

In his first Budget, Mr Lawson established a reputation for radicalism as a tax reformer, but a consolidator in his approach to financial policy. His changes to corporation tax were sweeping and exciting, his restatement of the medium-term financial strategy was unadventurous and suggested only a lukewarm commitment to further reductions in inflation. In his second Budget Mr Lawson has been unable to match the radicalism of last year's tax reforms, but he has tried hard to present himself as rather more than a consolidator in anti-inflation policy.

The importance of the anti-inflation theme was emphasized several times in the Budget speech itself. But Mr Lawson knows very well that words are not enough in themselves. Instead financial markets and decision-takers in industry will take his good intentions seriously only if they are backed up by hard numbers. Moreover, the numbers must reflect realistic, credible assumptions about the economy and variables critical to the financial outlook, such as interest rates and the oil price.

Mr Lawson's task has been made harder because, in the event, 1984-85 was not a year of financial consolidation but of financial slippage. Well-intentioned rhetoric in last year's Budget did not protect the Treasury's arithmetic from overruns in public expenditure, the cost of the miners' strike or the damage to public finances from higher interest rates. The public sector borrowing requirement turned out at £10½ billion, almost 50 per cent above the target. Mr Lawson has had to restore confidence in his projections for 1985-86 because his performance on the financial

front was unconvincing in 1984-85.

On the whole, Mr Lawson has done a good job. He has kept to the PSBR target of £7 billion envisaged for this year in the last medium-term strategy. It can be argued that he should have lowered the target, particularly in view of the remarkable buoyancy of North Sea revenues. (These revenues are now expected to be £13½ billion in 1985/86, £4 billion more than the figure forecast a year ago.) But the adoption of a lower target would have raised suspicions that the Government was once again manipulating numbers to suit the City rather than adjusting its own behaviour to maintain a truly sound financial position.

Mr Lawson has also been frank about the extent of the deterioration in public expenditure control. He has added £2 billion to the contingency reserve in 1985/86 and later years and increased estimates of debt interest sharply. No one can accuse the Government of fudging the figures after changes as large as this. The expanded contingency reserve is, in principle, to meet unforeseen claims on public spending. But it could equally act as a first-line of defence for the PSBR targets if oil revenues were to suffer from the break-up of OPEC.

But the return to fiscal honesty has been at a heavy cost. Most fundamentally, the Government's plans for substantial reductions in the net tax burden have had to be suspended. The various tax cutting measures announced yesterday amount to only £730 million in 1985/86 a much smaller sum than the Government and its supporters would have liked. Because Mr Lawson has correctly and responsibly reaffirmed the primacy of financial control,

the failures with public expenditure have led to failures in the programme to cut taxes.

The Chancellor's moves on tax reform may also give the impression of a Government cramped by a conflict of objectives. The proposed Green Paper on personal income taxation will hinder large adjustments in the structure of allowances until it has been published, with the earliest date for new legislation being 1987. Perhaps the 'Green Paper' method is the right one for major alterations to the tax regime, but this looks too much like delayed radicalism. There is an obvious contrast with the welcome celerity of the 'corporation tax reforms last year.

The charge of delayed radicalism could also be levelled against the changes in national insurance rates. As the Government has kept the lower earnings limit at only £35.40 a week, many very low-paid workers and their employers will have to meet this administratively and financially irritating imposition. Would it not have been much better to have raised the limit to £60 or £70 a week and taken many workers out of the national insurance net entirely?

In the long run this may indeed be possible, but it is a cardinal principle of the Beveridgean welfare state that people are entitled to benefits only if they have contributed to its costs. In other words, workers qualify for national insurance benefits because they have been making contributions; even from very low incomes. Mr Lawson had to respect the contributory principle in this Budget, but the whole question of the interaction of tax and social security has now been placed at the centre of the fiscal debate. That by itself is a radical and worthwhile shift.

M MITTERRAND'S MOVE

With a year to go to the next general election, France's Socialist government has, on the face of it, very little hope of staying in power. In nationwide local elections the Sunday before last, the Socialist party won only 25 per cent of the votes. The two main opposition parties - Gaullist and Gaullist - won 36 per cent between them, while unclassified opposition candidates won a further 13. The Communists, formerly (but no longer) allied to the Socialists, won less than 13 per cent, and the far-right National Front nearly nine per cent.

The run-off ballot this Sunday clinched the victory of the right, giving it control of 69 of the 95 departmental councils in France. In spite of this the results have given a glimmer of hope to President Mitterrand, and to the government of M Laurent Fabius - if only because they are slightly less bad for the left than the European elections last June.

M Fabius has come into office since then and has given the government a pragmatic no-nonsense style. The Communists have left the government, thereby depriving the opposition of one of its most telling electoral arguments; but although they have roundly and repeatedly abused the Socialists for reneging on their left-wing commitments,

they felt obliged to advise their supporters to vote on the second ballot for the best-placed left-wing candidate - and their supporters obeyed. Similarly the National Front leader, M Jean-Marie Le Pen, though he was after some hesitation ostracized for his racist demagoguery by the orthodox right-wing parties, nonetheless told his supporters to vote for them where they were ahead on the first ballot.

Such is the logic of the two-ballot single-member constituency system which France has used consistently for parliamentary elections under the Fifth Republic. It tends to polarise politics between right and left while allowing several parties to coexist within each side, using the first ballot to sort out their relative strengths.

Like any single-member constituency system, this one also tends to give a premium to majorities and to penalise minorities. For this reason oppositions tend to dislike it and M Mitterrand, as opposition candidate in 1981, had pledged himself to replace it with a proportional system. He has been quite consistent about this, so it is unfair for the present opposition, which has every expectation of becoming the majority next year, to accuse him of trying to rush through a

proportional system now simply with the aim of saving his own party from overwhelming defeat. It is a pity all the same, if he was going to do it, that he did not introduce the necessary legislation early in his term of office. What ever change he makes now will inevitably look as if it is tailor-made for this particular election.

Specifically, it will look as if M Mitterrand wants to bring the extreme right into parliament simply in order to prevent the orthodox right winning an overall majority, and so to enable himself, as president, to play off the parties against each other and construct an artificial centrist or centre-left majority. Whether that is really his intention no one knows, though it is difficult to imagine him, after five years of supreme power, cheerfully settling down to spend the last two years of his presidency as a figurehead president 'inaugurating chrysalis' as de Gaulle put it, while allowing his opponents to get on with governing the country. But if he wants to avoid that, he could always resign - a more elegant and a worthier course than to resort to obscure parliamentary manoeuvres to prevent a government with a clear programme from taking office.

CLEARING THE AUSTRALIAN AIR

The Australian Royal Commission investigating the conduct of the British nuclear tests in Australia thirty years ago returns home this week with the evidence it has harvested during its three-month stay in London. After persuading a reluctant Whitehall to ignore the thirty-year rule on the release of official secrets, the commissioners are leaving in a somewhat better temper than when they arrived.

They also left better informed. There are several more months of evidence to be heard in Australia, but it is already likely that the thrust of the commission's eventual findings will concentrate on assessing the good faith and competence of those running the tests and those following up activities, rather than on the unresolved scientific questions of health risks posed by low-level fallout contamination. It is important to recall that the commission's terms of reference ask for judgements to be made against the knowledge and standards of the time; many pre-emptive judgements have already been made both here and in Australia by the more critical standards of today. Nevertheless,

enough evidence has now been extracted from archives and witnesses to undermine the bland and brief reassurances which Britain has issued at regular intervals since the tests.

The British government's co-operation in the investigations should continue until the air is cleared. We owe Australia a considerable debt, which it turns out, is being paid, in slow instalments. Although Britain may have already fulfilled its formal liabilities to the land and people affected by the tests, it will not pay us to quibble mean-mindedly over reasonable requests for further reparation.

Principle and self-interest now coincide. The commission's report is likely to appear early next year, a few months before the biennial conference of Mr Bob Hawke's ruling Labour Party. Mr Hawke faces a powerful left wing which is vocal on all issues nuclear, ranging from weapons to the controversial programme of uranium mining and export. His opponents have alleged that he only appointed the Royal Commission to distract attention from his other nuclear problems.

The exploitation of the uranium arouses powerful feeling among the Australian electorate and its export to Britain and France is governed by separate safeguards agreements. Exports to France have already been suspended because of public opposition to French nuclear weapons testing in the Pacific. Improbable as it may seem at first sight, the controversy over Britain's behaviour thirty years ago may have some impact on the uranium issue.

The commission's findings on the British tests therefore need to be treated by both governments as a self-contained issue as far as possible. If mistrust of British conduct and motives persists after the commission has deliberated and recommended, the conditions could be created for the row to spill over elsewhere. The recent ANZUS row has demonstrated how these disagreements can come to threaten allied defence arrangements. It is not in the interests of Britain or the western alliance for anti-nuclear feeling to be boosted by continuing suspicion of misconduct between friends.

de Lorean and Lear, to mention but two schemes of job-creation. Yours truly, P. A. PENNANT-REA, Laurel Tree Cottage, Gillingham, Kent, GU14 6JH. Gloucestershire, March 10

Jobs on demand

From Mr P. A. Pennant-Rea Sir, Recently there has been a great emphasis placed, principally by opposition politicians, upon the creation of jobs. They seem to overlook the fact that the creation of jobs is quite useless unless a demand

is first identified, and is one which can be satisfied with an appropriate economic limits.

Anyone can create jobs, but the difficult bit is to spot the demand and then act to satisfy it at the right time and in the right way.

We should have learned this from

LETTERS TO THE EDITOR

Balancing views of nuclear defence

From Professor Sir Ronald Mason, FRS

Sir, There cannot be many who, having heard the Foreign Secretary's presentation at the Royal United Services Institute for Defence Studies and subsequently read the text, will understand the reason for the emotional, almost hysterical, outburst of today's leading article (March 18).

Inter alia, it seemed to me that Sir Geoffrey Howe was:

1. Continuing the Government's support of the research phase of the strategic defence initiative, confirming that Government policy would continue to be based on the four heads of agreement reached by the President and Prime Minister at their December Camp David meeting.

2. Recognising the Soviet Union's capabilities in ballistic missile defence and their current research programmes.
3. Clearly defining important questions and issues which should be addressed during the research programme (which will inevitably change in emphasis and objectives).
4. Making it clear that developments in technology and systems should move in parallel with thinking on strategic issues and policies.

5. Recognising the separation of research and the development/deployment of ballistic and cruise missile defences and prudently pointing out the problems of managing a transfer from one strategic posture to another.

As one who has followed the development of the initiative, even prior to the presidential announcement of March, 1983, I would suggest that last week's constructive clarification of the objectives of a research programme can only help to demonstrate the deep common perceptions on mutual assured

defence which are held within the Alliance.

Yours faithfully, RONALD MASON, 102 Beatty House, Dolphin Square, SW1, March 18.

From Mr D. J. Gold Sir, May I disagree profoundly with your shortsighted leading article, "Howe's UDI on SDI".

Many of us are tired of the posturing of the superpowers - both of them - and we look forward to the day, if it ever comes, when this country takes its place seriously in the EEC and works for a strong, united Europe as a third force.

I congratulate the Foreign Secretary for his perspicacity in saying what he did. Although I have great admiration for the USA as a country I am appalled at the way Britain has become just a satellite of it.

Yours faithfully, DONALD J. GOLD, 23 Kilm Road, Emmer Green, Reading, Berkshire, March 18.

From the Bishop of Bath and Wells

Sir, I write as a Tory voter to say how sad I am about your hysterical reaction to Sir Geoffrey Howe's most welcome speech. I would guess that he has voiced the feelings of millions of Americans, Russians - and British. If a layman may be permitted to say so, he seems to me to have expressed in a very moderate way the vital "initiative" role which the United Kingdom can play in these long term life and death matters.

Yours faithfully, JOHN BATH AND WELLS, The Palace, Wells, Somerset, March 18.

Redefining co-existence

From Lord Campbell of Alloway, QC

Sir, Mr Gorbachev in his search for improved relations with Western democracies must know that "peaceful co-existence" stands in need of redefinition.

As long ago as 1918 it described a moratorium on the fundamental objective - world socialism - until such time as process of internal consolidation had been achieved. That moratorium was lifted by the Communist Party programme of 1961, if not long before. At all events since 1961 the external policy of the Soviet Union has been overtly expansionist and interventionist.

Anatomy of SDP

From Dr D. Hassall

Sir, I wish to reply to Mr Fox's letter of March 8 about the present state of affairs in the SDP.

If inter-personal strife is the most important factor in determining whether a political party should hang together or not, then it is quite clear that both the Labour and Conservative parties should immediately split asunder.

The two major parties have been able to form governments only because of their common sense in subjugating personal differences and self-righteous grievances in the common cause of largely agreed policies.

If the SDP and the Liberal Party are not going to unite into one permanent Alliance Party, then perhaps they would be good enough to inform the electorate as soon as possible. If they decide to remain separate identities, then should they not take the next logical step of putting up both Liberal and SDP candidates in each constituency at the next general election?

I fear that if the present wrangling continues a great many potential supporters will simply abstain from voting next time.

Yours sincerely, DOROTHY HASSALL, 42 The Street, Puttenham, Guildford, Surrey, GU10 1JL, March 11.

Farming on the fringe

From Mr M. J. Thompson

Sir, David Nicholson-Lord's perceptive article (March 12) highlights the threat to urban environmental improvement posed by the Government's proposed abolition of the metropolitan counties and the GLC.

South Yorkshire County Council is active in many of these areas and is of course the coalfield county council. By reclaiming over 500 hectares (1,235 acres) of colliery wasteland, valiant efforts have been made to improve the environment and the economic attractiveness of South Yorkshire. It seems particularly hard on the mining communities that such an active agent of improvement should be swept away.

Amongst other initiatives, we are involved in a joint project with the Ministry of Agriculture, Agricultural Development and Advisory Service in costing the financial and other penalties of farming in the urban

fringe. This work is unique in that it is applied research of national significance which has been endorsed or adopted by a number of bodies and individuals, including the Countryside Commission, the National Farmers' Union, Operation Groundwork and three Groundwork trusts, Dr Alice Coleman, the Town and Country Planning Association, and the Department of Agriculture and Fisheries for Scotland.

The tragedy is that if the metropolitan counties are abolished this valuable work will most certainly vanish. It deserves better than that.

Yours faithfully, MIKE THOMPSON, County Planning Officer, South Yorkshire County Council, Department of Planning and Architecture, County Hall, Barnsley, South Yorkshire, March 13.

Multiplication of tasks

From Mrs Carole A. Boyd

Sir, I write in response to the March 9 letter of Mr John Mann. He is correct that every American board of education negotiates pay and conditions with its own employees. However, not every American school board employs a negotiator.

Our district, for example, the largest in the state of Delaware, has never employed a negotiator. Preferring to keep employee relations on a more personal basis, we use a negotiating team made up of our director of personnel and other administrators, including principals. That team sits with the teachers'

association team and arrives at mutually satisfactory negotiated agreements.

The agreement must, of course, be officially approved by the association's membership and our school board, the body which also sets the district's annual budget. We of the elected school board are both responsible and accountable.

As testimony to the efficiency and widespread support of our model, the Christina School District can proudly point to its record of rapidly settled negotiations, no strikes, mutual respect, high employee morale, outstanding diligence and productivity on the part of teaching staff and consistently high student

Handing on the Tory 'leasehold'

From Sir Kenneth Lewis, MP for Stamford and Spalding (Conservative)

Sir, Some Conservatives in Westminster and outside are charging Edward Heath with re-writing history in his television broadcast on the events in 1975 (report, March 14) when Margaret Thatcher was elected leader of the Conservative Party at Westminster.

I do not do that. But I do think Mr Heath misunderstands and, therefore, in his broadcast, misinterprets the history of that time.

Edward Heath stated on television:

"I think that the general campaign organized by her (Margaret Thatcher) people, for example, that I had said I was going to be leader of the Conservative Party for life... was grossly untrue and unfair."

This is a misinterpretation of the facts at that time. It is now part of history that the phrase "The leadership of the Conservative Party is a leasehold and not a freehold" was my phrase, made in a speech to the 1922 Committee.

This speech was in opening a debate to establish whether the parliamentary party wished to set up voting procedures to determine whether to stay with Edward Heath as leader or have a change. It was made long before Margaret Thatcher had entered the lists as a candidate for the leadership. Mr Heath therefore misinterprets on this.

It was as a result of that meeting of the 1922 Committee, and the response to that debate, that Edward Heath decided to ask Lord Home to establish a method of election and re-election of the leader of the party.

Clearly, however, Edward Heath only accepted this reluctantly. Once the new system of voting was put into operation he made it clear, by calling for loyalty to himself from the then members of his Shadow Cabinet, who had also been members of his Cabinet in government, that he sought to make the vote a waiver for himself.

This was a great miscalculation. If, having decided to establish voting procedures, Edward Heath had encouraged any members of his Shadow Cabinet to stand in the first round - it happened in the second round - he might well have come out better in the voting. There would undoubtedly have been a greater split in the vote. Who can now tell what the result of that might have been?

It is certain that the known reluctance of Edward Heath to have an open election did not do him any good, and that he was doing and nobody else. He is entitled now to differ with the present leadership on policy but not on how Margaret Thatcher was elected leader in the first place.

Yours faithfully, KENNETH LEWIS, House of Commons, March 16.

School closures

From Mr Peter Lacy

Sir, As chairman of the governing body of an inner-city school in Coventry I feel it is a matter of public duty to present the following facts:

Coventry city, once the thriving centre of the prosperous West Midlands, is now so beset with financial difficulties that it is considering the wholesale closure of some of its schools and the dismantling of its community education and comprehensive system.

The school, which I am proud to represent as chairman of governors, is a multi-cultural school and community college with national and international prestige.

Coventry's policies for multi-cultural education and harmony are well known and certainly contributed to our avoiding some of the more serious racial problems of 1981. This new school is to close. Its closure will be the beginning of the end of Coventry's social, economic and racial policies.

Thus the inhumanity of Government local authority policy is brought to bear upon those least able to sustain it: the poor, the disadvantaged and the children.

Yours faithfully, PETER LACY, Barr's Hill School and Community College, Radford Road, Coventry, West Midlands.

Beyond recall

From Mrs Claire Freer

Sir, In Sydney last month, I saw what appeared to be a red telephone box in the front garden of a terraced house. On closer examination, it turned out to be a genuine phone box, but converted into a porch by the simple expedient of removing the back wall of the booth. It looked completely out of place (as it obviously was) but had the merit for me, as a tourist, of being amusing and memorable.

Yours faithfully, CLAIRE FREER, Tamarisk, Stoneman's Hill, Abbotskerswell, Newton Abbot, Devon.

ON THIS DAY

MARCH 20 1917
Nicholas II (1868-1918) was czar of Russia 1894 to 1917. He was compelled to abdicate in March 1917 - February in the Old Style calendar, hence the "February Revolution". His brother the Grand Duke Michael declined to accept the crown, an act which led Kerensky to proclaim "Your Highness, you are a noble man!" Nicholas and his family were murdered on July 18 1918 at Ekaterinburg (now Sverdlovsk).

THE TSAR'S FINAL ORDEAL

SIGNING THE ACT OF ABDICATION

(From Our Own Correspondent)

PETROGRAD, SATURDAY

EVERYONE has been able to obtain a full and authentic version of the events attending the Tsar's abdication. It appears that Nicholas II on reaching Bologoy Station (half-way between Petrograd and Moscow) was advised not to proceed to the more important city but to go to the capital, preferring to go on to Pskov (General Ruzsky's headquarters, about 220 miles due west of Bologoy, and half-way between Petrograd and Dvinsk), and there learn his fate. To the members of his staff he said, "The revolutionary wave will probably sweep away the Monarchy." He was then already prepared for the worst.

Mr. D. T. Trefl and the Conservative Deputy M. Shulgina were commissioned by M. Rodzianko to go to General Ruzsky's headquarters. The ill-fated monarch received them in a small dining-room. He looked pale and careworn, but was perfectly calm and self-possessed.

Addressing Gutchkoff he said, "Tell me the whole truth."

"We come to tell you that all the troops in Petrograd are on our side. It is useless to resist any longer. They will go over as soon as they reach the station."

"I know that," replied the Tsar. "The order has already been given to the troops to return to the front."

Then, after a slight pause, the Tsar asked, "What do you want me to do?" "Your Majesty must abdicate in favour of the Heir-Apparent under the Regency of the Grand Duke Michael Alexandrovich. Such is the will of the new Government, which we are forming under Prince Lvov."

"I cannot part with my boy," replied the monarch, with emotion. "I shall hand the Throne to my brother."

Then, speaking in a matter-of-fact tone, he said, "Have you a place of papers?" "Then there the manifesto was drafted, Count Fredericks, Minister of the Imperial Household (whose brother was arrested in Petrograd), and the Tsar's Aide-de-Camp assisted their master in his final ordeal. Soon the document lay on the writing table. Before signing it he wrote out orders appointing Prince Lvov Prime Minister and the Grand Duke Nicholas Generalissimo.

Then, bowing his head for a few moments, he signed the paper and without a trace of emotion for the last time appended his signature as Tsar of All the Russias to the writ of abdication.

The whole scene occupied only a few minutes. Nonetheless, the papers Nicholas II. Even before his abdication he knew his children were all seriously ill with measles and that his beloved only son was in serious danger of death.

Budget origins

From Mr H. S. Cobb

Sir, The statement in the article, "Origins of the Budget" (March 14) that the Jewel Tower, Westminster, is the oldest surviving physical embodiment of the Treasury, is almost certainly incorrect. The Pyx Chamber of Westminster Abbey would appear to have been in use as a royal treasury by 1249 and it was regarded primarily as a strong room - the strict preserve of the Treasury and Exchequer - until late in the nineteenth century.

The Jewel Tower was built in 1365-66 to house the Sovereign's private and personal treasure and continued to be used for that purpose until the reign of Henry VIII. By 1621 the Jewel Tower had become the repository for the records of the House of Lords, which remained there until they were transferred to the Victoria Tower in 1864.

Yours, H. S. COBB, Clerk of the Records, Record Office, House of Lords, March 15.

Truly dreadful

From Mr P. S. Johnson

Sir, Further to your correspondence of March 7 and 12 on the "City of Dreadful Night", your readers may be interested to know that the original city was neither Lahore nor Calcutta, but London, dubbed so by the Scottish poet James Thomson, whose poem by that title appeared in the *National Reformer* in 1874 under the signature B. V. (Bysshe Vanolis) over 10 years before Kipling's articles under that heading.

I would therefore imagine Kipling must have adopted this title purely unwittingly, though this could be a debatable point.

Yours faithfully, P. S. JOHNSON, 22 Middleton Road, Felpham, West Sussex.

Silver lining

From Mrs Dorothea T. Luthman

Sir, Long ago, in my childhood days in Edinburgh, we knew an old lady who tried to cheer up a wet day by sending us what she called a Rainy Day Greeting. If, at breakfast time, it was raining, she sent us a picture post card, with a ½d stamp on it, and we received it by the midday post.

I wonder how many times the weather would change nowadays between posting and delivering a RDG?

I am, yours sincerely, DOROTHEA T. LUTHMAN, 92 Ducks Hill Road, Northwood, Middlesex.

Opera Scarcely a glorious scandal

Act II: the Golden Calf
and Christ crucified



Faust Vienna State

Few operagoing communities greet scandals with more relish than the Viennese, but since Lorr Maazel's undignified exit as Director of the Staatsoper last year these have been quiet times in the Austrian capital. A few weeks ago - some would put the date more precisely as St Valentine's Day - Austrian television treated viewers to an interview with a white-tied gentleman who solemnly promised that the artistic establishment would soon enjoy "the most glorious scandal in its history". The man, who refused to speak German, was Ken Russell, about to make his debut at the Staatsoper with a new production of Gounod's *Faust*.

After that, barely a day passed without the whiff of intrigue familiar to regular followers of the Vienna opera scene. What would the man who had written the destruction of Nagasaki by nuclear bomb into the climax of *Madama Butterfly* have in store for this most conservative of houses? Was Faust to be portrayed as Frankenstein, as suggested by one Viennese paper, or would the producer, sensitive to Austria's imminent celebration of the end of the Third Reich, turn Valentin's army into the S.S. stormtroopers who had once poured on to the stage during his production of *La Bohème*?

Giorgio Zaccagnini's unexpected replacement as Valentin by Walton Groenmoos two days before the premiere sustained the suspense. When the conductor, Alain Lombard, 24 hours later also became suddenly indisposed, most of the ingredients for a debacle seemed to be at boiling point. In the event, those who arrived at the weekend looking forward to something outrageously shocking were disappointed, as were less complicated souls who had merely hoped to enjoy an opera rarely performed in the Vienna house.

Russell places the work in the time of the Napoleonic war rather than the sixteenth century. Carl Tom's sets create an atmosphere faintly suggestive of Gothic horror. Perhaps we are in France; a guillotine does dispatch Marguerite at the end of the opera, but Valentin and his men are dressed in the scarlet of Wellington's army and a building uncannily like Salisbury Cathedral sits on the misty horizon. Pointed arches and middle-pointed tracery are never far from the action. And what action there is. During the first act's village festival, gigantic artillery pieces roll on to the stage. A 15-foot high calf's head, with eyes rotating like a fruit machine, spews gold coins into the orchestra pit. When Faust sings of his longing for Marguerite in the second act, an equally vast head appears, while her seduction at the end of the act is accompanied by another giant image, this time a white skull with glowing red horns.

The ageing Faust effects a brilliant metamorphosis into a young Bismarckian playboy in the first scene. But Mephistopheles's rather more eccentric transition into a vampire-bat in Act II requires all of Ruggero Ramondi's strength to appear calm, let alone evil, while he stands poised on a 12-foot high, trifolium and slowly extends a pair of rather heavy six-foot wings. With all this happening, Francisco Araiza's Faust can perhaps be forgiven for appearing rather distracted. His voice is well controlled but was limited in its expressive range. Ramondi, despite the complicated logistics involved, clearly enjoyed wearing a large shaving brush in his hat and feigning himself on chocolate and liquorice crucifixes. It was Marguerite, here sung by Gabriella Benackova, whose performance was the most memorable of the evening. Although forced to take holy orders and join a rather giggly convent in this production, she remained dignified, with her voice in top form. If the genre in their boxes were entertained, the standing audience of the Staatsoper expressed the feelings of Gounod's admirers everywhere in their chorus of cat-calls and whistles.

Richard Bassett

Endymion/Whitfield Purcell Room

Nothing if not immediate, Nigel Osborne's new song cycle *Endymion* bangs into music four poems from Craig Raine's recent book *Rich*. It is an enthusiastic coupling with a quartet of colour-shocked innuendos, though not with the poem that gives the cycle its title - which surely in this medium ought to be "pornophony" anyway. Singing makes things different in other respects too. Osborne's music does not slouch, but Raine's tempo is quicker; the images ought to be snapping into place in no time at all. There is the usual problem, too, of a poetic first-person voice being assumed by a singer, even one as accomplished as Linda Hirst and as suitably dressed for the part in sun-yellow pyjamas. The page is cool, flat and white; the singing voice can

scarcely avoid, when the musical imagery is so rich itself, adding lashings of personal feeling. On a more mechanical level, there are awkward misunderstandings latent in words like "place" and "missed". Granted all that, the piece is a neat *jeu d'esprit*. Osborne has not been shy of taking a single poetic idea to colour a whole song, as when the Spanish stanza of "Code Napoleon" is the excuse for flamenco guitar and castanets all through, and he answers the Creole of "Gauguin" unashamedly. Miss Hirst gave a vital first performance, in a concert that usefully revived excellent pieces by Simon Bainbridge, Vic Hoyal, Oliver Knussen and Dominic Muldowney. The fine instrumentalists of the Endymion Ensemble needed only some slightly more awake conducting in order to make the most of so much strange and exciting music.

Concerts GCU/Wright Festival Hall

Verdi's Requiem has to be pretty badly performed for it to give the listener any rest at all. The clashing polarities of which it makes such deeply human music demand comparable extremes of virtuoso performance, yet can respond to far less. Even with apprentice players, the paradoxes that propel its drama never fail to grip the listener by the throat - the chemistry of Verdi's individual voice-writing within its corporate mass, for instance, and the lacerating juxtapositions of terror and reassurance. So it was on Monday night, when work and performers revealed each other in their true light. Brian Wright drew every last drop of adrenalin from the diligently schooled Goldsmiths Choral Union and Guildford Philharmonic Choir. He showed, too, plenty of signs that, given the chance, he knew just where the work should be going and when.

The factor which inhibited him and, ironically, reinforced the resilience and stature of the work, was the sizeable gap between intention and execution on the part of orchestra and soloists. The Guildford Philharmonic's history reveals no lack of practice in accompanying. But on this occasion the section playing, unstable enough when standing alone, merely cold-shouldered the voices. Understandable, perhaps, if not condonable, in the case of Jo Ann Pickens and Stuart Kale, both quite embarrassingly ill-suited. Donnie Ray Albert's reliable bass-baritone provided a clear outline in ensemble, and from time to time, character as well as control. Not only by almost ludicrous contrast, but very much in its own right, Jean Rigby's contribution elevated the entire performance. Her true, deep-seated alto gives remarkable resonance and authority to its role in this work; and her "Liber scriptus" as well as a radiant "Lux aeterna", together with Verdi himself, redeemed the evening.

Hilary Finch

Accardo/Canino St John's/Radio 3

A mainly French programme from Salvatore Accardo and Bruno Canino in their BBC lunchtime concert at St John's, Smith Square, on Monday nevertheless had a considerable element of Italianate fervour. They imparted an almost operatic quality to the youthful major Sonata by Faure, written before those of both Brahms and Franck, and here made to sound more emotionally turbulent than theirs. The impassioned surge and sweep of the opening movement was sustained on a well integrated partnership between the violin and piano, which nevertheless reflected a sense of musical proportion in relation to the content of this and the

succeeding movements. Subtler aspects of technique, such as the violinist's dynamic shading on one note, were by no means obscured by the volatile exuberance of mood. In Debussy's more fanciful G minor Sonata, the elusive central intermezzo movement expressed a vein of moonstruck melancholy to contrast with its neighbours, as if Puccini had for a time become the averser of Harlequin and his ebullient fantasy. Again the violinist waved almost lyrical in melodic feeling, interspersed with hints of dreaminess, before a colourful finale. It was imaginative to separate these two works by Webern's Four Pieces, Op 7, in which clarity and brevity of utterance had a cleansing effect, even with a sinuous curve of phrase given to the second and fourth of them. Ravel's *Tzigane*, catching glittering fire from a smouldering start, added a finishing flourish to a programme which can be heard again on Radio 3 next Sunday night.

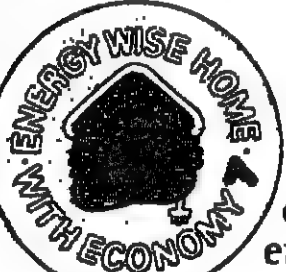
Noël Goodwin

The seventh annual Susan Smith Blackburn Prize has been awarded to the British playwright, Shirley Gee, for her *Never in My Lifetime*. The play, about the attitudes of the British army and the Catholic population of Northern Ireland, has been seen at the Sobo Poly, and there are plans for a New York production by Alexander Coben in 1986. The prize is worth \$3,000.

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Weekly Dividend

Please make a note of your daily totals for the weekly dividend of £20,000 in Saturday's newspaper.

MON	TUE	WED	THU	FRI	SAT	WEEKLY TOTAL

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Company	Price	Chg	Yld	P/E
1	1.10	0.01	4.5	12.5
2	1.10	0.01	4.5	12.5
3	1.10	0.01	4.5	12.5
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Company	Price	Chg	Yld	P/E
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186	First Nat Phoenix	102	..	17.1	4.9
185	General Ind	347	..	17.1	4.9
79	Quintech Inc	77	+1	16.4	5.1
185	First Nat	102	..	16.3	5.0
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185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
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185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	5.0
185	First Nat	102	..	16.3	

BUILDING AND ROADS

198	252	Abendson Conser	162	..	8.0	8.0
199	252	Acme	162	..	8.0	8.0
200	252	APC	162	..	8.0	8.0
201	252	APC	162	..	8.0	8.0
202	252	APC	162	..	8.0	8.0
203	252	APC	162	..	8.0	8.0
204	252	APC	162	..	8.0	8.0
205	252	APC	162	..	8.0	8.0
206	252	APC	162	..	8.0	8.0
207	252	APC	162	..	8.0	8.0
208	252	APC	162	..	8.0	8.0
209	252	APC	162	..	8.0	8.0
210	252	APC	162	..	8.0	8.0
211	252	APC	162	..	8.0	8.0
212	252	APC	162	..	8.0	8.0
213	252	APC	162	..	8.0	8.0
214	252	APC	162	..	8.0	8.0
215	252	APC	162	..	8.0	8.0
216	252	APC	162	..	8.0	8.0
217	252	APC	162	..	8.0	8.0
218	252	APC	162	..	8.0	8.0
219	252	APC	162	..	8.0	8.0
220	252	APC	162	..	8.0	8.0
221	252	APC	162	..	8.0	8.0
222	252	APC	162	..	8.0	8.0
223	252	APC	162	..	8.0	8.0
224	252	APC	162	..	8.0	8.0
225	252	APC	162	..	8.0	8.0
226	252	APC	162	..	8.0	8.0
227	252	APC	162	..	8.0	8.0
228	252	APC	162	..	8.0	8.0
229	252	APC	162	..	8.0	8.0
230	252	APC	162	..	8.0	8.0
231	252	APC	162	..	8.0	8.0
232	252	APC	162	..	8.0	8.0
233	252	APC	162	..	8.0	8.0
234	252	APC	162	..	8.0	8.0
235	252	APC	162	..	8.0	8.0
236	252	APC	162	..	8.0	8.0
237	252	APC	162	..	8.0	8.0
238	252	APC	162	..	8.0	8.0
239	252	APC	162	..	8.0	8.0
240	252	APC	162	..	8.0	8.0
241	252	APC	162	..	8.0	8.0
242	252	APC	162	..	8.0	8.0
243	252	APC	162	..	8.0	8.0
244	252	APC	162	..	8.0	8.0
245	252	APC	162	..	8.0	8.0
246	252	APC	162	..	8.0	8.0
247	252	APC	162	..	8.0	8.0
248	252	APC	162	..	8.0	8.0
249	252	APC	162	..	8.0	8.0
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254	252	APC	162	..	8.0	8.0
255	252	APC	162	..	8.0	8.0
256	252	APC	162	..	8.0	8.0
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264	252	APC	162	..	8.0	8.0
265	252	APC	162	..	8.0	8.0
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269	252	APC	162	..	8.0	8.0
270	252	APC	162	..	8.0	8.0
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298	252	APC	162	..	8.0	8.0
299	252	APC	162	..	8.0	8.0
300	252	APC	162	..	8.0	8.0
301	252	APC	162	..	8.0	8.0
302	252	APC	162	..	8.0	8.0
303	252	APC	162	..	8.0	8.0
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305	252	APC	162	..	8.0	8.0
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309	252	APC	162	..	8.0	8.0
310	252	APC	162	..	8.0	8.0
311	252	APC	162	..	8.0	8.0
312	252	APC	162	..	8.0	8.0
313	252	APC	162	..	8.0	8.0
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317	252	APC	162	..	8.0	8.0
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322	252	APC	162	..	8.0	8.0
323	252	APC	162	..	8.0	8.0
324	252	APC	162	..	8.0	8.0
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382	252	APC	162	..	8.0	8.0
383	252	APC	162	..	8.0	8.0
384	252	APC	162	..	8.0	8.0
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386	252	APC	162	..	8.0	8.0
387	252	APC	162	..	8.0	8.0
388	252	APC	162	..	8.0	8.0
389	252	APC	162	..	8.0	8.0
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394	252	APC	162	..	8.0	8.0
395	252	APC	162	..	8.0	8.0
396	252	APC	162	..	8.0	8.0
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400	252	APC	162	..	8.0	8.0
401	252	APC	162	..	8.0	8.0
402	252	APC	162	..	8.0	8.0
403	252	APC	162	..	8.0	8.0
404	252	APC	162	..	8.0	8.0
405	252	APC	162	..	8.0	8.0
406	252	APC	162	..	8.0	8.0
407	252	APC	162	..	8.0	8.0
408	252	APC	162	..	8.0	8.0
409	252	APC	162	..	8.0	8.0
410	252	APC	162	..	8.0	8.0
411	252	APC	162	..	8.0	8.0
412	252	APC	162	..	8.0	8.0
413	252	APC	162	..	8.0	8.0
414	252	APC	162	..	8.0	8.0
415						

CHEMICALS, PLASTICS

CHARTERED BANKS					
1984/85	High	Low	Company	Price	Chg
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	
1.10	1.10	0.01	4.5	12.5	

CINEMAS AND TV

11.317																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
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DRAPERY AND STORES

1984/85	High	Low	Company	Price	Chg	Yld	P/E
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5			
1.10	1.10	0.01	4.5	12.5	</		

ELECTRICALS

1984/85 High Low		Company	Price	Chg	Yld	P/E
0.8	0.9	0.01	4.5	12.5		
0.8	0.9	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
1.10	1.10	0.01	4.5	12.5		
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1.10	1.10	0.01	4.5	12.5		</

1984/85		Company	Price	Great		P/E
High	Low			Chgs	Yld %	
72	43	Chrysler	37	..	3.5	10
112	112	Do 7 1/2% CFF	3.5	10
108	108	Do 7 1/2% CFF	3.5	10
208	176	Eastman	176	..	3.5	10
108	71	General	71	..	3.5	10
101	101	General	101	..	3.5	10
101	101	General	101	..	3.5	10
101	101	General	101	..	3.5	10
101	101	General	101	..	3.5	10
101	101	General	101	..	3.5	10
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101	101	General	101	..	3.5	10
101	101	General	101	..	3.5	10
101</						

FINANCE AND LAND

150	94	Marine Elec	94	...	6.2	6.2
150	94	Marine Elec	94	...	17.1	18.1
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150	94	Marine Elec	94	...	1.1	1.1
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HOTELS AND CATERERS

1984/85	High	Low	Company	Price	Chg	Yld	P/E
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THE TIMES

FINANCE AND INDUSTRY

Executive Editor Kenneth Fleet

Sterling rise bonus for the Chancellor

On Budget day of all days, events in the state of Ohio seemed to be doing more for the Chancellor's financial strategy than all the careful planning and adjustments channelling into the Budget speech. The Chancellor's anxiety to provide a combination of targets and measures that would satisfy financial markets at home and abroad at the same time as he tried to stimulate employment was no doubt vital as a long-term background. There was nothing in the speech to upset foreign exchange markets and, if only in that negative sense, everything to reassure them. But, for the moment at least the task of reassurance has been made much easier.

The dollar continued to fall sharply over Monday night in late New York trading and in the Far East, where it fell below DM 3.3. In London yesterday morning, the pound took over the leading role rising sharply against the dollar and more modestly against the mark. By lunchtime, the sterling index had reached 74.6, the best since pre-crisis December. In London the pound peaked at \$1.1430, but fell back to \$1.1365 with the index at

74.0 as New York decided the dollar had gone too far for an hour or two. Yet it seems clear that the pound had become the main beneficiary of dollar weakness. That is logical, since analysts had been quite prepared to acknowledge sterling was undervalued earlier this year while their dealers continued to sell it with the trend, if the trend has been broken, a switch to sterling is the obvious next move.

The Chancellor included a strong passage to the effect that he acknowledged the foreign exchanges were integral to inflation control and that short-term interest rates would be held at the level needed to maintain these wider anti-inflationary monetary conditions. That was a message to the market that if ever he had been operating a low-interest rate policy, he is not now.

Meanwhile, interbank rates have moved down to 13 1/4 to 13 1/2 per cent, enough, in the present mood, to trigger a one point base rate cut. If sterling continues to benefit from dollar weakness that will happen soon. The Chancellor's message is not to hurry that process.

Few surprises, but nasty ones

The main question in the run-up to the Budget was whether the Chancellor, stung by the sterling crisis, would respond by tightening policy. He did not, and the target ranges for monetary growth, 3-7 per cent for narrow money M0 and 5-9 per cent for sterling M3, and the £7 billion public sector borrowing requirement target for 1985/6 were lifted straight from last year's Budget.

This then was all much as expected, and those surprises the Chancellor did have were mostly nasty ones. After Monday's announcement of a negative PSBR of £225 million in February, expectations were for a full-year figure of less than £10 billion.

The Chancellor has estimated £10.5 billion as the likely outcome, £3.25 billion above the original target and suggesting that the March PSBR, of £2.9 billion, will be worse than in the previous two years. On public expenditure, Mr Lawson is to be applauded for realism, but adding £2 billion to the reserves, and thus the public spending totals, for each of the next three years does not smack of tight control.

By far the most interesting change from the point of view of monetary control is the proposed change in the Banking Act which will allow companies to provide some easing of the pressure for higher bank lending. It remains to be seen whether a real market in such instruments will develop in any scale. This could be another false dawn like low-coupon bonds. However, pending the exact monetary treatment of these short-term securities, it does look as though the change might eventually make the task of monetary control easier and by removing the Bank of England's need to overfund to overcome excessive bank lending, make the swings of funding feast and famine less acute.

In the coming months, monetary control will be assessed on a qualitative as well as on a quantitative basis. Apparently acceptable numbers for the monetary aggregates and particularly sterling M3, are less than satisfactory if merely achieved by heavy sales of government debt, against a background of strong bank lending and high public sector borrowing.

Anticlimax for equity market

While the City will welcome the Chancellor's overriding commitment to maintaining a firm hold on inflation, anticlimax was the overwhelming reaction to the Budget in the equity market. The predicted changes, such as capital gains tax relief, emerged in a more muted form than the market had been expecting. The unexpected measures, most notably extra incentives to employ the unskilled were greeted with considerable scepticism.

The overall effect, measured by the FT-SE 100 index, was to turn a fall on the day of 0.2 into a rise at one stage of just 4.4. But it could not hang on to even this modest cheer, and closed 4.2 up at 1,304.5. That is leaving few hostages to fortune after the buoyant mood displayed by investors in recent weeks. The FT 30-share index was unable to cross the 1,000 level, confining itself to a 2.1 gain at 997.5. Onshore oil companies were hardest hit.

The removal of petroleum revenue tax for onshore exploration came as a blow to this part of the sector, more than offsetting any pleasure that the Chancellor was able to stay his hand from the North Sea.

Stores did best, benefiting both as an employer of cheap labour and a supplier to lower-paid people whose own tax and national insurance contributions have been cut.

But analysts were extremely wary of the national insurance changes. They will obviously hurt companies which have highly-paid workers, such as merchant banks, newspapers and advertising agencies. But the effect was difficult to gauge accurately. This is the one Budget which equity investors will be inclined to shrug off in terms of its fiscal impact. Lower interest rates and a stronger pound will be of significantly greater moment.

£11.7m operating loss throws BL recovery off course

By Jonathan Davis, Business Correspondent

BL's disappointing sales performance in the second half of last year was underlined yesterday when the state-owned car group reported that it had slipped back into loss at the operating and all other levels last year.

The annual results showed the BL group made an operating loss before interest and tax of £11.7 million, compared with the modest operating profit of £4.1 million in 1983.

Under the original recovery plan agreed with the Government, the target of Sir Austin Bide, BL's chairman, was to break even in 1983 and move into the black last year.

In its statement yesterday, however, BL said the recent rate of recovery had "not been

sustained". The pay strike last autumn at Austin Rover, BL's volume car business, was one important adverse factor, costing BL more than 86,000 cars - worth nearly £500 million - in lost production.

BL also blamed the continuing overcapacity in the European car market, and competitiveness in the market. The group's total vehicle sales fell from 564,000 to 511,000.

The continued market difficulties of Austin Rover are known to be causing concern at the Department of Trade and Industry, which has been studying BL's corporate plan.

Both the department and the company refused to confirm reports that the board had been asked to revise its plan.

Approval of which is not expected until after Easter.

BL has said it will waive the lost £110 million of government aid under the cash injection plan agreed with the Government by Sir Michael Edwards, BL's former chairman. The group said yesterday that despite its loss last year, its balance sheet remained strong.

BL intends to meet future funding needs from operating cash flow, further privatization measures and private borrowing.

Austin Rover made an operating loss of £26 million against a profit of £3 million in 1983. The cars division as a whole made an operating profit of £40 million (down from £73 million), largely due to the first-half contribution from Jaguar

before its £186 million privatization.

Without the proceeds from the Jaguar sale, BL's overall operating loss would have been £64 million. Unipart, the components division - likely to be the next privatization candidate - made an operating profit of £14 million.

BL's troubled truck and bus divisions continued to make losses. Despite a profit from both Land-Rover and Freight Rover, the non-car divisions made an operating loss of £49 million, compared with the previous year's loss of £66 million.

The net loss recorded by BL before extraordinary items was £81 million, slightly worse than the previous year's £74.3 million.

Battle likely over SE rules plan

By Jeremy Warner

The Stock Exchange white paper on widening changes in the membership rules and new dealing practices is due to be launched by Sir Nicholas Goodison, the chairman at a press conference soon.

Parts of the white paper are expected to face fierce opposition from sections of the membership and will need a considerable public relations exercise to gain the favourable vote they need at a meeting of the Exchange's 4,500 members on June 4.

The most controversial aspect of the paper are the proposals for allowing new corporate members into the market. New stock market firms will be required to buy at least 10% shares in the Exchange from members while existing firms will need to hold at least 50 shares.

Potential opposition from small stockbroking firms in London and the regions with fewer than 10 partners is likely to be defused by a proposal that they be exempted from the need to hold 50 shares but the paper will still face opposition from a considerable number of the market's 2,160 associate members.

Their shares in the Exchange will command an insignificant value under the present proposals and may believe they should be more adequately compensated for the loss of income that is likely to result from the coming upheaval in British securities trading. Mr Derek Greenwood, chairman of the seven-man committee set up last year to coordinate opposition to the Exchange's proposals, said: "From what I have read in the press of the proposals, we would not be happy."

ASC proposals expected to be shelved

By Ian Griffiths

The Accounting Standards Committee is expected to shelve its proposals next week for the way in which companies should account for the effect of inflation on their annual results.

Comments on the proposals, set out in exposure draft 35, have been analysed and it is clear from these that a new accounting standard, based on ED 35, would not be accepted by commerce and industry.

The main criticisms were that the proposals in ED 35, which is based largely on current-cost accounting principles, were too inflexible and that the requirement to produce inflation-adjusted financial information, which would be subject to audit and form part of the auditor's report on the truth and fairness of the accounts, was unacceptable.

Given the extent of this criticism, the ASC will be forced to abandon ED 35. A number of alternatives have already been devised, including one based on the five-year summary of results which listed companies are obliged to include in their accounts.

Under this proposal the financial data in the summary would be adjusted by reference to the Retail Price Index.

ICI chairman's pay increases by 68%

By Our Business Correspondent

Mr John Harvey-Jones, the chairman of ICI, had his pay increased last year by more than £2,200 a week, while the other seven executive directors of the company - the first non-oil company to make profits of more than £1 billion in a year - also had substantial pay rises it was disclosed yesterday.

ICI's 1984 annual report and accounts showed that Mr Harvey-Jones' total pay rose from £170,999 to £287,261, an increase more than £116,000 - or 68 per cent. The bulk of the increase resulted from the performance-related bonus scheme which ICI introduced with effect from 1983. The scheme links the directors' salaries to ICI's profit performance.

The dramatic improvement in ICI's results last year, with pre-tax profits jumping from £619 million to £1,034 billion has helped to push the total directors' salary bill up from just under £1.2 million to just over £1.7 million. All eight of the company's executive directors now earn more than £175,000 a year, whereas none did in 1983.

ICI said yesterday that Mr Harvey-Jones' basic salary had gone up from £158,649 to £190,000, and his bonus payments from £12,500 to more than £97,000. This is close to the maximum permitted under



Harvey-Jones: defending £116,000 rise

the bonus scheme, which lays down that bonus payments should not exceed 50 per cent of a director's pay.

The scale of the increases was defended yesterday by Mr Harvey-Jones. He said: "It is not for us to say if we are worth what we are paid," he said. "Uncle Tom Cobbleigh and all will do that, and rightly so."

But I hope that he and they will consider the responsibilities that all ICI directors carry (and incidentally relish) and the way in which the company is now performing."

The pay figures contained in yesterday's annual report show that six employees in ICI now earn more than £100,000 a year, the first time that a non-board member has achieved a six-figure salary.

Downturn in economy 'next year'

By David Smith, Economics Correspondent

The longer leading index for the economy fell by 1.6 per cent last month, the Central Statistical Office announced yesterday.

The figures, published before the Budget, underlined the continuing uncertainty over the next turning point in the economy.

The Government's statisticians originally thought the economy would begin to turn down this month. Now they say "this view cannot be supported at the moment". Recent figures have suggested that the cyclical upswing will continue through this year, with the latest statistics pointing to a slow-down early next year.

The longer leading index was pushed down by high interest rates. Although rates rose in January, the full month's effect of this was not felt until February.

The shorter leading index rose by 0.5 per cent in January, the latest month for which data are available. The coincident and lagging indices also rose.

The Central Statistical Office says that the miners' strike, in particular, has upset the cyclical indicators and made interpretation difficult. Even so, the economy may have paused around the turn of the year.

IN BRIEF

Sung Hung sells bank

Sung Hung Kai & Company the Hong Kong financial group is selling off its banking arm to Arab Banking Corporation (ABC) as part of an extensive internal reorganization. ABC is paying HK\$360 million (£44 million) to gain a 75 per cent stake in the banking arm, Sung Hung Kai Bank, which ran into trouble in 1983 when it suffered a run of deposits.

ABC will inject a further HK\$372 million cash into the bank in convertible preference shares. The remaining 25 per cent in the bank will be held by Mr Fung King Hey, who will capitalize a HK\$120 million soft loan he made in 1983 to help shore up the bank.

Mnemos losses rise to £6m

Mnemos, the USM-quoted manufacturer of data storage systems, announced increased operating losses in the nine months to December 31 of \$7.6 million (£6.7 million) compared with a previous loss of \$5.6 million.

Combined Technologies Corporation, which owns 53 per cent of Mnemos, announced a nine-month attributable loss of £2.5 million against £1 million

Mr Richard Lawson, 53, joint senior partner of W. Greenwell, the stockbroking firm, has been elected deputy chairman of the Stock Exchange in succession to Mr Patrick Mifflord-Stade who will be retiring on June 25. Mr Lawson has been a member of the Stock Exchange Council since 1973 and has served on six of the council's eight standing committees. Most recently he has been chairman of the membership committee.

Jaguar outlook

Despite efforts by Jaguar to play down some market expectations, analysts are expecting bumper results when the car group unveils results since privatization tomorrow.

Tempus, page 23

Lower Horizon

Trading profits at Horizon Travel, the package tour company, tumbled by more than half in the last full year to November. But the sale of an aircraft and a currency gain involved in an aircraft deal brought pre-tax profits at £12.31 million virtually to the previous year's level.

Tempus, page 23

INTERNATIONAL TAX PLANNING

MANY MULTINATIONALS PAY MORE TAX THAN THEY NEED. DO YOU?

A company had surplus funds in the UK and a Malaysian subsidiary with significant tax losses.

It wanted to invest the UK funds temporarily in Malaysia to take advantage of the tax losses and also avoid attracting UK tax on the income generated.

Using an offshore company established in a low tax country and taking care to avoid the UK's controlled foreign company legislation, the surplus funds were invested generating income free of both Malaysian and UK tax.

When the foreign tax losses have been absorbed, the capital will also be capable of being returned to the UK without attracting significant tax liabilities.

Contact Deloitte if you have:

- surplus funds in the UK available for investment
 - a foreign subsidiary with tax losses
- We have tax expertise in 70 countries.

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I should like a copy of your booklet "International Tax Planning for UK Companies" ☐ (Tick box)

I should like to discuss International Tax Planning with one of your partners ☐ (Tick box)

Name _____
Position _____
Company _____
Address _____
Telephone Number _____

TT/20/185

Barratt interim profits tumble

Bad television publicity, high interest rates and the miners' strike helped to push interim pretax profits at Barratt Developments down from £19 million last time to £4 million in the half year to December 31, 1984.

The slump had been widely anticipated and reflects the corrective action by the company after a drop in demand due to critical television programmes in the last two years.

Barratt had been budgeting to build around 18,000 homes a year before the problems arose. This has now been reduced to 12,000. In the first half 5,350 homes were completed, down from 7,000 on the same period the previous year. Turnover edged ahead to £272.8 million against £259.4 million last time.

The interim dividend of 2.31p is being maintained but

MARKET SUMMARY		
STOCK MARKETS		MAIN PRICE CHANGES
FT Ind Ord997.5(+2.1)		RISERS:
FT - A All ShareN/A		CPU Computers41 +8
FT Govt Securities80.48(+0.18)		Barratt Devel78 +12
FT-SE 1001304.5(+4.2)		Sovereign Off207 +30
Bargains25.271		Lawrie Gp1750 +250
New York		Pearce, C. R.800 +100
Dow Jones1253.97(+4.31)		Paterson Zpch148 +15
Tokyo		Security Centres155 +15
Nikkei Dow12,477.99 (-28.65)		Buroq Dean26 +2
Hong Kong		Markheath95 +7
Hang Seng1300.97(+9.50)		Microtech78 +5
Amsterdam205.4 (-1.8)		Cape Ind46 +3
Sydney: AO793.8(+3.5)		De Brett, Andre17 +1
Frankfurt		Seamronic142 +8
Commerzbank1217.1(+3.1)		Croda Int145 +8
Brussels:		FALLS:
General302.82(-2.96)		Barke & Dobson6% -1%
Paris: CAC205.8 (-1.3)		VW Tharmax71 -17
Zurich:		Promotions House28 -4
SIKA General345.20(+2.00)		Amcliffe Holdings56 -8
GOLD		Autocore Prod.56 -8
London fixing:		Pangkalen550 -50
am \$307.25 pm \$316.75		Riley Leisure52 -4
close \$317.75-\$318.25 (279.50)		Floyd Oil Part.83 -7
280		Delyn Packaging115 -8
New York \$318.45		Prestwich Holdings123 -8
Comex (latest)		Pineapple Dance66 -4
CURRENCIES		INTEREST RATES
London:		London:
£: \$1.1365 (+0.0298)		Bank Base: 14%
£: SwF 3.7226 (+0.0256)		3-month Interbank 13% - 13%
£: DM 3.16 (+0.0150)		3-month eligible bills 12% - 12 1/8%
£: SFr 11.3724 (+0.0844)		buying rate
£: Yen 291.45 (+3.92)		US:
£ Index: 74.0 (+1.0)		Prime Rate 10.50%
New York:		Federal Funds 8 1/8%
£: \$1.1405		3-month Treasury Bills 8.63-8.69
£: DM 3.2650		Long bond 94y: yield 94 1/8% - 94 3/8%
£ Index: 151.7 (-2.2)		
ECU ED.597087		
SDR ED.874459		

INTEREST RATES

London:
£: \$1.1355 (+0.0298)
£: DM 3.7228 (+0.0258)
£: SwFr 3.16 (+0.0150)
£: Ffr 11.3724 (+0.0844)
£: Yen 291.45 (+3.92)
£ Index: 74.0 (+1.0)

New York:
£: \$1.1405
£: DM 3.2590
£ Index: 151.7 (-2.2)
ECU: £97.067
SDR: £87.4459

Bank Base: 14%
3-month Interbank 13% - 13 1/2%
3-month eligible bills 12% - 12 1/2%
buying rate
US:
Prime Rate 10.50%
Federal Funds 8%
3-month Treasury Bills 8.63-8.59
Long bond 9 1/4; yield 9 1/4% - 9 1/2%

Deloitte Haskins + Sells

Ricmyl Remell: won with Ten Cherries at Nottingham

5.15 (Am 4) Haze 1. THE BRISCO (ANGUS 55) 10.00. 2. KATE (EVANS 17) TEN. 3. LAST OF THE FETTER (MILES 6) ANYTIME. 4. SPENDING (SALLY 1) 11.00. 5. L.S.O. RAN. 6. HAZEL (CHARTERIS 4) 11.00. 7. HEMLOCK. 8. CHAMPAGNE (HARRIS 10) 10.00. 9. JOHN (P.W.) 11.00. 10. LORD CHARLES (P.W.) 10.00. 11. COMET. 12. KINGS. 13. GEM. 14. WINDY. 15. TON. 16. FORT. 17. BELL. 18. JOE. 19. SMILER. 20. WIP. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 8

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LA CRÈME DE LA CRÈME

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The Managing Director of a large manufacturing company is looking for a Management Secretary to help in his efficient and smoothly run office.

The post involves a wide and varied range of duties, with contact at director and senior management levels both inside and outside the company.

The necessary requirements include education to degree standard and a diploma or equivalent in secretarial/

Management Secretary

The appointment will be based locally in the Harlow/Bishop's Stortford area. An excellent salary of between £7500 & £9500, depending on experience, is offered plus a wide range of benefits.

If you have the relevant qualifications, are a non-smoker and would like to take advantage of this career opportunity, please send full details to T. G. Scott and Son Limited, Ref: 834, 30-32 Southampton Street, London, WC2E 7HF. Please state companies to which you do not want your application sent.

In At The Start to £11,000

The Directors of this new venture capital fund need an assistant to join their young team. You'll play a key role in setting up the offices, deal directly with clients and have your own projects to work on. This is very much the sharp end of the business so enthusiasm, initiative and commitment are essential. Age: 25-35. Skills: 90/60

On The Ball £9,000

This successful management consultancy specialises in international assignments. It is an exciting environment but there's no way round it - the job does have a heavy typing load. However, the work is very varied and requires someone, preferably of graduate calibre, who can be relied upon and knows how to prioritise. Your support will include keeping a record of interviews and working ideas, organising travel arrangements and client liaison. Age: 22-30. Skills: 80/60+

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Sales-orientated professional with innovative overtones sought for a Senior PA/Admin role in a West End Marketing Consultancy. Excellent interpersonal skills & a desire for full involvement are essential.

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Rare opportunity for the erudite, experienced SECRETARY/PA with the poise & confidence to liaise at all levels, both in the context of commercial & of parliamentary interests. superb presentation, sound formal skills, distinct good sense & initiative are, naturally, essential qualities sought.

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Marvellous chance for the Young SECRETARY, with a genuine desire for full involvement in the Personnel function, to work within the lively & very stimulating atmosphere of a prestige organisation. Shorthand useful but not essential - personality is, however, a must!

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Our highly-skilled TEMPORARY staff enjoy prestige assignments in the Media or Medicine, Commerce or the Arts; in the Professions or Parliamentary-linked; in Films or High Finance . . . in other words, a plethora of well-rewarded choice - for you, so why not join us now?

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Loss of involvement in great marketing skills.

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After all, you only need around four years' secretarial experience (100/60), word processor skills and be well presented. If you fit this description, all you have to do is register with us. We are constantly on the look out for skilled temporary staff, mainly because our clients insist on offering our temporaries permanent positions.
For more information, contact Victoria Martin now on 01-499 9175.



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We are a leading company in the entertainment industry, and are now seeking an experienced Secretary to work in our Chairman's office.

This varied and demanding job will appeal to someone who enjoys secretarial involvement and who possesses the confidence and maturity to work at a senior level.

Naturally, you must be competent and organised, with accurate secretarial skills, a pleasant telephone manner, and the ability to work under pressure.

We offer an attractive salary, and a good range of benefits including five weeks holiday, subsidised restaurant, season-ticket loan and staff discounts.

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Marion Shindler, Personnel Officer,

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Residential College concerned with management in Health Service, has expanded its Faculty to take on a wide range of development and consultancy work. In consequence, we are looking for two well educated Secretaries with impeccable secretarial skills and previous experience at a senior level, who will work with members of Faculty. Ability to work reliably and independently, take initiative and be efficient organisers, essential. An interest in and a knowledge of the National Health Service an advantage but not essential. Pleasant working environment near Kensington Gardens. Free Lunches. Assistance with season tickets. Salary Scale £7,622 rising to £9,741 inclusive of London Weighting. Applicants should write enclosing their CV to the Office Services Manager, King's Fund College, 2 Palace Court, London W2 4HS.

SENIOR SECRETARY WESTMINSTER

SALARY £10,000 per annum
(Review Date 1st July)

We are seeking a first-class secretary aged 30-40 with excellent typing and shorthand skills to work for the Secretary/Accountant of a well established Insurance Group.

This is an important appointment requiring initiative and some aptitude for figures. The applicant should preferably have had previous experience of working at executive level.

Please write in confidence to Mrs. S. M. Edom, Personnel Superintendent, Municipal Insurance Group, 25-27 Old Queen Street, Westminster, London SW1H 9HN.

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HEAD OF RESEARCH

For executive search company. Must have relevant experience in headhunting research, age 28-35. £12/15,000.

ACCOUNTANT TO £14,000
Smart and well educated person to manage the finance office and people of a small lively trading company in Green Park.

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To Chairman of City Brokers. Marvellous conditions for a very presentable PA to young dynamic American. £8,000/£10,000.

Loads of jobs for young secretaries/receptionists in all areas with or without shorthand.

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ONE TO ONE

TWO SECOND JOBBERS NEEDED

Your ideal job with plenty of involvement and responsibility, structured and typing. Will train or cross-train on WP. Shorthand and typing essential for those busy and professional companies near Charing Cross. 10+ years. Salary to £7,000. Call now or pop in for more details.

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£7,500 - £9,000

We are one of the UK's major merchant banks and a member of the Accepting Houses Committee. We provide a wide range of financial services and advice to governments, corporations, institutions and individuals both in the UK and internationally.

We now have a number of opportunities for high calibre secretaries in all the main operating divisions of the Bank. You will provide a full secretarial service to one of the business teams in either Banking and Finance, Corporate Finance, Dealing or International Capital Markets Division. The work will be varied and in most cases will require contact with clients.

You should possess first class secretarial skills as well as a good general standard of education. The ability to use your own initiative and a flair for organisation and office administration in a pressurised environment are considered important attributes.

We are offering a salary of £7,500 - £9,000 per annum according to age and experience, together with an excellent benefits package which includes a subsidised mortgage, non-contributory pension scheme, free medical cover and generous luncheon voucher allowance. There are good prospects for career development.

Please send full career details to: Mrs. Carolyn J. Blend, Personnel Officer,

Samuel Montagu & Co. Limited,
114, Old Broad Street, London EC2P 2HY.
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Are you the only one that fully appreciates your talents? Shouldn't you be working in an environment where your skills are fully used - and appreciated? Where you have an opportunity to develop and progress?

We agree!
Contact us today to find out more about the benefits of being a Manpower temporary.

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ROSEAN'S/QUEEN'S

£7,500 W1

PA/Assistant with S/H for this newly created position. This is an incredible social job with an international Entrepreneur with many overseas connections. Organise all his confidential and domestic activities in London & assist with the daily running of the London office. Age 21+ min 2 yrs exp - some WP helpful.

CAREER MINDED

£9,000 W1

An intelligent self-starter with drive & initiative for an exciting job within a highly pressurised sales environment. Must be a team player, autonomous, sales with clients, co-ordinate exhibitions. If you can work under pressure and are familiar with computer packages, have a taste of team work and enjoy hard work, then this is your only real chance to get the most level-headed need apply!

DYNAMIC PA

£9,000 W11

A dynamic, driven to work, very young PA with S/H for a classic creative advertising agency. 25+ - 35+ years, min 5 yrs exp - casual dress, pleasant, team player, a sense of humour. Will be working with the great bunch of people. Full involvement offered. Must be good at 110/22/25. Not sure what you are looking for - why call us at your earliest convenience. Tel: 01-432 1100 (London W1)

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The newly appointed Managing Director of this small but expanding company needs a bright and confident Sec/PA to help him set up his office. This would suit someone with a good solid CV (preferably with some personal related experience) and who will enjoy all aspects of running a busy office. Age 25+. Speeds 100/60.

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The successful applicant will be a fast accurate audio-typist (min 80 wpm), well-organized and efficient. Ability to operate a Wangwriter Word Processor, or willingness to learn is essential.

Salary is a range £5,000-£7,000 p.a. (including London Weighting), 23 days annual leave, staff restaurant facilities and season ticket loan scheme. Applications giving full details of experience, qualifications and age to: Personnel Officer, Legal Aid, The Law Society, 113 Chancery Lane, London WC2A 1PL by April 4th, 1985.

IMG

The Mark McCormack Organisation & leading sports management Co.

urgently requires Secretary aged between 20-24 for Golf Division. Lots of contact with golfing personalities. Applicants should have minimum one year's experience, good shorthand/typing skills, pleasant telephone manner and ability to work under pressure as part of team, knowledge of golf or W.P. advantageous. Please call or send C.V. with salary requirements to:

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Experience in property management or desire to learn would be appreciated. This is a small, friendly office where personality, drive and appearance are also prime considerations. Negotiable salary c. £11,000 per annum.

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Recruitment Consultants

SECRETARY

required for the Advertisement Director of major medical journal publishers. Good shorthand and typing, together with the ability to work independently essential. The successful applicant will also undertake secretarial duties for other members of the sales team. Age 21+ - Hours 9.30 to 5.30 Salary £8000, negotiable, and benefits include private health scheme and annual-free season ticket loan.

Please apply in writing with C.V. to: Mrs. S. Miller, The Update Group Ltd., 33-34 Alfred Place, London WC1E 7DP.

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required by Art and Antiques firm, good salary. Personality, responsibility and interest essential. Hours 9.30-5.30, five days per week. Good business and personal references essential. 25+.

Apply to writing only enclosing C.V. marked "Permanent" to Misses Asprey, 47 Duke St, St James's SW1.

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£8,500 - £9,000

If you are 21-24, logical, numerate and looking for an absorbing job, the American V.P. of a US Investment Bank in EC2 needs you to provide a full secretarial back up. He is demanding but fair so you should be able to stand up for yourself. Think on your feet and have skills to help you cope with a busy work load.

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£10,000 HERTS

This entrepreneurial opportunity for your fluent (perhaps mother tongue) German, as you will be in constant contact with your offices in Düsseldorf, also with the main offices in Hong Kong. An international company offering a senior prestige post to the top man. If you are a career minded PA with good PA and are able and feel you are seeking a dynamic and challenging opportunity, call

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PA's WITH WP £8 ph

Join our team of PA's/secretaries with good WP skills and we will have you back in the office with need of 100/20. 2 years Director level experience in Central London and must be prepared to work on a W.P.

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£9,000

PA/Sec into 20's for newly appointed Chief Executive of excellent Co WCI dealing with research and media. Although shorthand and typing are required a self-reliant administrator and organiser is of utmost importance. 6 weeks holiday. Early salary review.

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☎ Trade 01-278 9161/5

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IBM ANALYST/PROGRAMMERS TO \$55,000 p.a.

IBM MVS COBOL CICS IDMS (ADS-ONLINE)

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Successful candidates will work in their luxury office accommodation in lower Manhattan, initially on a 12 month assignment.

Skills will ideally include a strong IBM background, but some opportunities will exist for candidates with strong IDMS knowledge in an ICL environment. Good analysis, design and programming experience is essential, preferably in a financial or brokerage environment.*

Our client will conduct interviews in London during late March, with start dates up to June 1985.

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WE LOOK FORWARD TO HEARING FROM YOU.

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in £20 million package

A major Arts/Entertainment

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£17,000

Due to recent expansion, our

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of a computerised system. The

position calls for someone

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An excellent opportunity for an

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Trade 01-278 9161/5

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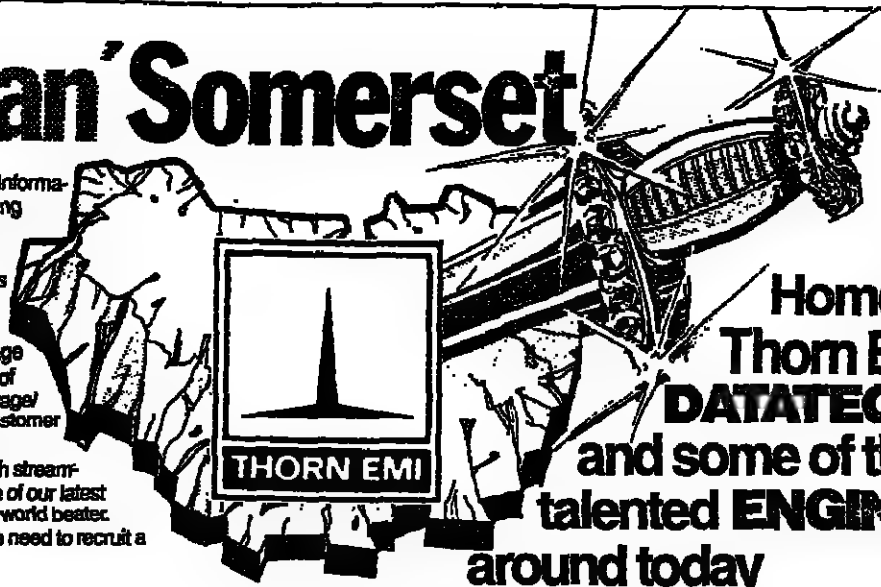
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Firmware/Hardware Micro Processor Engineers.

To join the above team applicants should be over 20 years of age and with sufficient engineering skills and knowledge to enable them to play an active and increasing role in the further development of this division.



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THORN EMI Datatech

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Our client is an international group of pharmaceutical and chemical companies with headquarters in the UK and a group turnover in excess of £800M. Demanding opportunities currently exist for senior sales and marketing professionals to develop their products in major overseas markets.

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£20,000 + Car + Benefits

This is an exciting position, based in Athens, responsible for the profitable development of the company's business in Greece and other Mediterranean territories. Candidates must have previous international marketing management experience in the health care industry, and must possess the necessary entrepreneurial skills and personal qualities to operate successfully without close supervision. Fluency in Greek is preferred, but candidates with a strong linguistic ability and the willingness to acquire fluency should not be deterred. D378

Export Executive—West Africa

£13,000 + Benefits

This is an export sales position involving the development and promotion of both consumer and pharmaceutical products in French-speaking Africa countries. Reporting to the Territory Manager, West Africa, the appointment will involve a total of about three months overseas travel each year in periods of 2-3 weeks. The ideal candidate will be between 25-35, with export selling experience and fluency in French. As the company's export business grows, additional opportunities in both sales and marketing will be continually arising and consequent scope for long term career development is therefore enormous. D378B

Territory Manager—Russia

£21,000 + Car

This is a senior position responsible for the development of profitable and long-term business within the Soviet Union. The prime objective will be to analyse the market and its structure and to develop and implement a strategy to exploit business opportunities. The successful candidate will need a proven track record demonstrating commercial success within Eastern Europe, plus fluency in Russian. Aged, 30-40, and educated to degree level you must be able to travel for 2/3 weeks maximum at a time, several times a year. D381B

Sales Manager—Poland

£15,000 + Benefits

The person appointed to this position will primarily be responsible for the profitable development of the company's medical and industrial business in Poland. This will include sales negotiations and control of the Warsaw office, together with providing the necessary administrative support in the UK. Candidates, aged 25/35 should be educated to degree standard with a record of achievements in sales or marketing. The ability to speak a second language is preferred together with a good knowledge of German. The position involves overseas travel amounting to approximately 3 months each year. D378A

Please contact David Roberts quoting relevant reference no.
13/14 Dean Street, London W1V 5AH. Telephone: 01-437 3344

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For an immediate and totally confidential discussion, please telephone Peter T. Willingham on 01-283 3070 today, or better still send him under strictly personal cover a comprehensive curriculum vitae, (reference 33), to Spicer and Pegler Associates, Executive Selection, St Mary Axe House, London EC3A 8BJ.



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and

Management Information Systems

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In the first instance please write in complete confidence quoting reference 66 and submitting a curriculum vitae to:

Peter Childs, Director,
Pannell Kerr Forster,
New Garden House,
78 Hatton Garden,
London EC1N 8JA.

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or Telephone: Leicester (0533) 863434 Ext. 3801

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Post 9 for Oman Location

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WRITE: sending a TYPED CV, 2 P/p. Copies of your Passport: Driving Licence: Certificates and your present Salary requirements.

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The ideal candidate will be between 35-50, will have a successful track record including sales experience and must be able to lead a competent and profit conscious team. He/she must be ready to travel widely in promoting the company's interests.

An appropriate remuneration package will be negotiated.

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A bold step towards your career development objectives would be to take the reins of a well-established company and initiate significant changes to meet anticipated market trends. You would establish corporate targets, build a team of achievers from the 300 or so employees and lead them into an exciting future.

If you can successfully implement the changes that this national company—jointly owned by manufacturers of successful brands requires, you could enjoy an excellent remuneration package (with profit share) whilst your family grows up in an attractive part of the Severn Valley where you will all enjoy a high standard of living.

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Director

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Our client is a well established consultancy backed by a major international corporation. They market a range of consultancy services including executive search, management selection and management assistance programmes, both in the UK and overseas. The company has established industry specialisations in insurance, financial services and high technology.

They wish to recruit up to three Directors to play leading roles in developing the existing specialist sectors.

To qualify you will be aged 28-40, preferably have a professional qualification and background. Previous exposure to management consultancy and/or recruitment would be an advantage. Certainly you must want to join a highly motivated and service oriented company.

To apply please write to me, Melvyn Gadsdon, enclosing a full copy of your CV.

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Large furnished studio. Fully fur-
nished but lovely reception, large
bath, kitchen, fireplace.

[illegible][illegible][illegible][illegible]

INSERTION

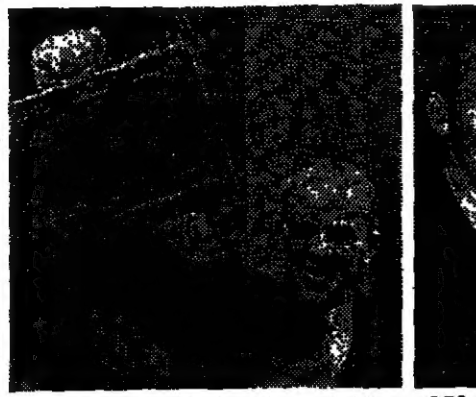


Ubiquitous box that survives despatches

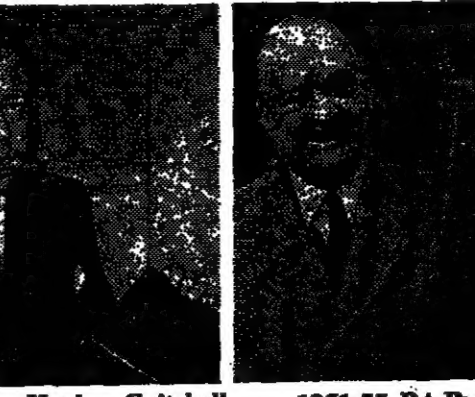
1924-29, Winston Churchill, (C), photographed with his daughter in 1928.



1945-47, Hugh Dalton (Lab.)



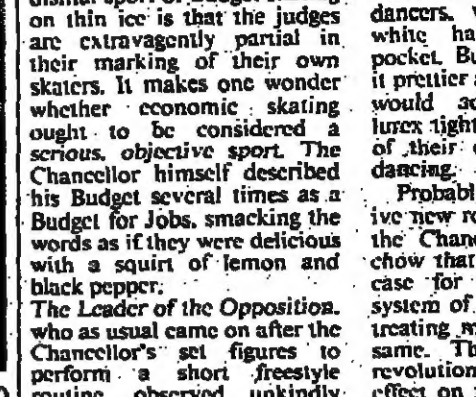
1947-50, Stafford Cripps (Lab.)



1950-51, Hugh Gaitskill (Lab.)



1951-55, RA Butler (C)



1955-57, Harold Macmillan (C)



1957-58, Peter Thorneycroft (C)



1958-60, Derick Heathcoat-Amory (C)



1960-62, Selwyn Lloyd (C)



1962-64, Reginald Maudling (C)



1964-67, James Callaghan (Lab.)



1967-70, Roy Jenkins (Lab.)



1970-74, Iain Macleod (C)



1970-74, Anthony Barber (C)



1974-79, Denis Healey (C)



1979-83, Geoffrey Howe (C)



1983- Nigel Lawson (C)

THE TIMES INFORMATION SERVICE

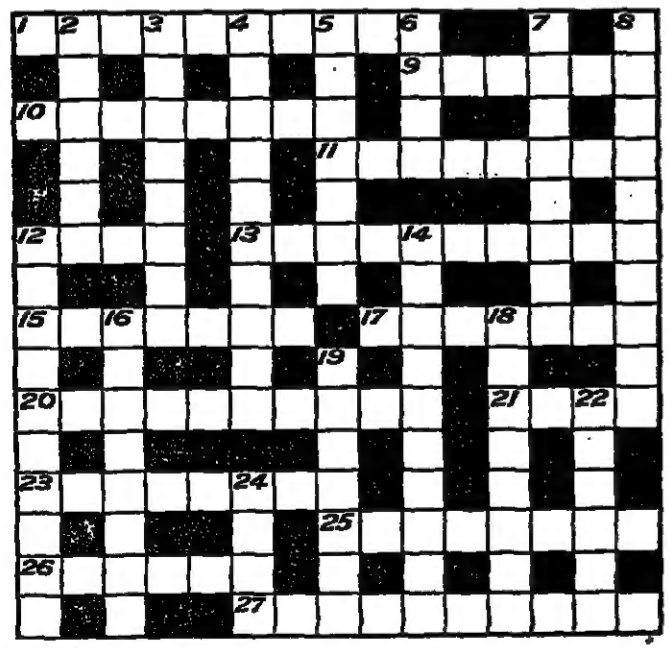
Today's events

Royal engagements

The Queen attends a celebration by the National Children's Home, Royal Albert Hall, 7.15.
Queen Elizabeth the Queen Mother attends the AGM of Queen Mary's London Needlework Guild, St. James's Palace, 3.30.
The Prince of Wales visits the Royal School of Military Engineering and 33 Engineer Regiment, Rochester, 10.

(Explosive Ordnance Disposal), Rochester, 10.
Princess Anne visits Nuncomar; arrives Abbey Hosiery, 2.15 and opens Inter Training Services, 3.40; later she attends the Coventry Branch of the Save the Children Fund's Gala 40th Anniversary concert, Coventry Technical College, 7.10.
Princess Alice, Patron, East Africa Women's League, attends a general meeting at Holy Trinity Church House, Brompton Rd, 2.30.

The Times Crossword Puzzle No 16,690



- ACROSS**
- The pasta with pests in turned a churchman sick (10).
 - Sound could food flavouring (6).
 - The manicurist? (8).
 - Country people - swinish breed? (8).
 - Stop up to write about a record (4).
 - May be near a Trust House serving refreshments (10).
 - There's no way spirit can be the remedy (7).
 - A European in hopeless love - never requited (7).
 - The long arm of the paw? (6,4).
 - Predicament of a fool with a little money (4).
 - Check the remainder before the bad weather (8).
 - Civil-spoken following the heartless politician (8).
 - Believe in financial provision (6).
 - A man from the East aids none in revolt (10).
- DOWN**
- Put on an overcoat (6).
 - Time to begin another day? (8).
 - A drink cures heart-break (10).
 - Left the boat harbour without work and without cover (7).

Solution of Puzzle No 16,689

ACROSS
1. SPAGHETTI
2. FLAVOURING
3. MANICURIST
4. SWINE
5. RECORD
6. TRUST
7. REMEDY
8. EUROPEAN
9. PAW
10. PREDICAMENT
11. REMAINDER
12. POLITICIAN
13. FINANCE
14. REVOLT

DOWN
1. COAT
2. DAY
3. HEART
4. COVER

The Duchess of Gloucester visits South Yorkshire; arrives Rotherham General Hospital 11.45; the National Children's Home, Rotherham, 2; and later visits the Cheshire Home, Tetley, 3.30.
The Duke of Kent visits Watman Reeve Angel, Maidstone, 10.25; and later opens the Kent Fire Brigade's new control and command centre, Maidstone, 12.
The Duchess of Kent, as Patron of the Edward Boyle Memorial Trust, attends the memorial lecture, Royal Society of Arts, 5.55.
Prince Michael of Kent attends the presentation of CBEs to the Anand Connaught Rooms, 11.45.

Exhibitions in progress

Paintings by Samuel Dodwell: Mid-Cornwall Craft Centre and Art Gallery, Bideford, Devon, Mon to Sat 11 to 4, Fri 11 to 9 (ends March 30).
Recent ceramics by Madeleine Battersby: Bolton Museum and Art Gallery, Le Mans Crescent, Bolton, Mon to Fri 9.30 to 5.30; Sat 10 to 5, closed Wed and Sun (ends April 20).
Historic Houses of the Wakefield District: Postlethwaite Museum, Salford Row, Mon to Sat 10.30 to 12.30 and 1.30 to 5 (ends May 4).
The British Art Show: Old allegiances and new directions; Mappin Art Gallery, Weston Park, Sheffield, Mon to Sat 10 to 5, Sun 2 to 5 (ends May 6).
Bronzes by John W. Mills: recent paintings by Mary Fadden; and Raku Pots by Stephen Murfit: Beaux Arts, York Street Bath, Mon to Sun 10 to 5 (ends May 5).
Music
Concert by the Polish Chamber Orchestra: Guildhall, Portsmouth, 7.30.
Concert by the Hallé Orchestra: St David's Hall, Cardiff, 7.30.
Concert by the Northern Sinfonia Ensemble: Hutton Gallery, The University, Newcastle-upon-Tyne, 1.05.
Concert by the Nash Ensemble: Ilkley Kings Hall, Bradford, 8.
Concert by the North Windes: Eden Court Theatre, Inverness, 7.30.
Talks, lectures
What happened to the Royal Forest of Essex? From Forest of Essex to Epping Forest, by Mr WH Liddell, Lecture Theatre Block, Essex University, Colchester, 7.
The Rocco Garden, by Roger Whitworth Park, Manchester, 1.
The Huguenots in England and France, by Dr Robin Gwynn, Room 141, Evers Riverside Lecture Rooms, Stage 1, New Elvet, Durham University, 5.15.

The pound

	Bank	Spot	Bank	Spot
Australia \$	1.88	1.88	Canada \$	1.25
Denmark kr	27.00	27.00	France F	166.50
Germany DM	1.93	1.93	Italy Lira	2036.00
Japan Yen	161.00	161.00	Netherlands Gld	2.20
Norway Kr	136.00	136.00	Portugal Esc	200.48
Spain Ptas	166.64	166.64	Sweden Kr	13.76
Switzerland Fr	1.54	1.54	Yugoslavia Dnr	206.00
USA \$	1.54	1.54		

New books - hardback

The Literary Editor's selection of interesting books published this week:
Auden in Love, by Dorothy J. Farnham (Faber, 29.95).
Before I Go, by Mary Stolt (Virago, 29.95, paperback 24.50).
Evolution, A Theory in Crisis, by Michael Denton (Hutchinson, 27.50).
H.G. Wells, by John Batchelor (Cambridge, 219.50, paperback 55.50).
Loved Ones, Pen Portraits by Diana Mosley (Sidgwick & Jackson, £12.95).
Love and Exile, by Isaac Bashevis Singer (Cape, £10.95).
The Collected Essays of A.S. Briggs (Harvester Wheatsheaf, 2 vols, £30).
The Illustrated Counties of England, edited by James Bishop (Allen & Unwin, £14.95).
Verdi, by Julian Budden (Dent, £13.50).
With Respect Ambassador, An Inquiry into the Foreign Office, by Simon Jenkins and Anne Simon (BBC, £7.50).

Anniversaries

Birthday: Ovid, (Sulmona, Italy), 43 BC; Jean-Antoine Houdon, sculptor, Versailles, 1741; Henrik Ibsen, Skien, Norway, 1828.
Deaths: Henry IV, reigned 1594-1610; London, 1413; Sir Isaac Newton, London, 1727; Lajos Kossuth, Hungarian nationalist, Turin, 1894; George Nathaniel Curzon, 1st Marquess Curzon of Kedleston, Vicerey of India, 1898-1905; London, 1925; Ferdinand Foch, Marshal of France, Paris, 1929; Brendan Behan, writer, Dublin, 1964.

No smoking day

Today, to coincide with the first day of spring, is National No Smoking Day. The day is sponsored by the main organizations concerned with smoking and health, and has the backing of the Department of Health.

Roads

The Midlands: A5: Roadworks are continuing on several sections of the A5, at Stratford, Weston under Lizard and also on the Tam Bridge, Ashton, A52. Roadworks continuing between Stratford and Worcester in A5, traffic reduced to a single lane, controlled by temporary traffic lights. A52: Lane closures between Stratford and Worcester in A52, traffic reduced to a single lane, controlled by temporary traffic lights. A52: Lane closures between Stratford and Worcester in A52, traffic reduced to a single lane, controlled by temporary traffic lights. A52: Lane closures between Stratford and Worcester in A52, traffic reduced to a single lane, controlled by temporary traffic lights.

Snow reports

	Depth (cm)	U	Piste
Andover	50 220		good
Good skiing all slopes			
Andover-Bolden	50 180		good
New snow on good base			
Andover	110 150		good
New snow on good base			
Courmayeur	160 385		good
Superb skiing off piste			
Grindavald	40 120		good
Warm patches lower slopes			
Layside	40 100		good
Good skiing on piste			
Marren	80 230		good
Superb skiing everywhere			
St Anton	30 250		good
Excellent condition			
Val Thorens	130 260		good
superb powder everywhere			
Zermatt	30 120		good
Good skiing upper slopes			

In the above reports, supplied by the Swiss
refers to lower slopes, the U refers to upper slopes

Veterinary charity

A veterinary charity, the People's Dispensary for Sick Animals, provides free treatment for animals owned by people who cannot afford private veterinary care. The dispensary also publishes free (with sale) leaflets on keeping dogs, cats, guinea pigs, rabbits, golden hamsters, gerbils, ferrets, parrots, tortoises, terrapins, fish, mice and rats, budgerigars and canaries. Leaflets are also available on caring for injured and young wild birds, pet safety in the home and garden, coping with parasites that attack pets, and "pets and the senior citizen". People's Dispensary for Sick Animals, PDASA House, South St, Dorking, Surrey, RH4 2LB; tel: Dorking 888291.

Portfolio

Portfolio - how to play
Monday-Saturday record your daily Portfolio total.
If these together to determine your weekly Portfolio total.
If your total matches the published weekly Portfolio total, you have won a prize of £100, and must claim your prize as instructed below.

How to claim
Telephone The Times Portfolio claims line 0204-55272 between 10.00 am and 5.30 pm, on the day your overall total matches the Times Portfolio total. No claim can be accepted outside these hours.
You must have your card with you when you telephone.
If you are unable to telephone someone else can claim on your behalf but they must have your card and call The Times Portfolio claims line between 10.00 am and 5.30 pm.
No responsibility can be accepted for failure to contact the claims office for any reason within the stated hours.
The above instructions are applicable to both daily and weekly dividend claims.
a) Some Times Portfolio cards include information on the instructions on the reverse side. These cards are not invalidated.
b) The wording of these 2 and 3 has been expanded from earlier versions for clarification purposes. The Game itself is not affected and will continue to be played in exactly the same way as before.

Lighting-up time

London 6.44 pm to 5.31 am
Bristol 6.55 pm to 5.41 am
Edinburgh 6.56 pm to 5.42 am
Manchester 6.55 pm to 5.39 am
Penzance 7.05 pm to 5.53 am

Yesterday

	powder	good	fine	-
	good	good	fine	-
	powder	fair	fine	-
	varied	fair	fine	-
	powder	good	fine	-
	powder	good	clear	-
	powder	good	sun	-
	varied	poor	sun	-

ski Club of Great Britain representatives,
 see *Club representatives*, *para* 26.

Weather forecast

An anticyclone over Scandinavia will recede E but maintain a weak ridge of high pressure over the British Isles; a depression to the S of Iceland will push frontal troughs into W districts later in the day.

6 am to midnight

London, central S, NW, central N England, Midlands, Lake District, Borders, Edinburgh, Dundee: mainly dry with sunny intervals; variable, light max temp 7C (45F).
SE, E, NE England, East Angles, Aberdeenshire: mainly cloudy with snow showers; dry at first, becoming developing; wind E or SE; light max temp 5C (41F).
Channel Islands, SW England, Wales, Isle of Man, SW, NE Scotland, Glasgow, Central Highlands, Moray: mainly cloudy with rain at times in W districts; mainly dry with sunny intervals in the E becoming less cold.
Orkney, Shetland: sunny intervals, scattered snow showers; wind S, fresh; max temp 5C (41F).
Dorset: fog for tomorrow and Friday; mainly dry with sunny intervals in the E becoming less cold.
SEA PASSAGES: S North Sea, Strait of Dover: Wind SE moderate or fresh, snow showers; visibility moderate; sea moderate. English Channel, Irish Sea: Wind SE fresh increasing strong perhaps gale; rain or sleet later; visibility moderate; sea rough.

New moon tomorrow

Sun rises: 6.04 am
Sun sets: 6.14 pm
Moon: 6.16 am
Moon: 5.05 pm

Highest and lowest

Yesterday: Highest day temp: Chichester 14C (57F); lowest day temp: Arrol Green 5C (41F); max 5 pm to 5 am, 10.0C (50F); humidity 8 pm, 98 per cent; Rain: 24 hr to 6 pm, 0.01 in. Sea: 24 hr to 6 pm, 3.5 hr, 8 hr, mean sea level, 6 pm, 1.014 m (3.33 ft).

London

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Philip Howard in the Commons

Charting a course across thin ice

The Chancellor of the Exchequer was awarded generally high marks for artistic impression in his Budget speech yesterday. His new routine was admirably five minutes shorter even than last year's; but he emphasized that he was sticking to the course for this Parliament that he had charted last year, and that defeat of inflation remained the central theme on which he would perform his flying camel sit spin.

The marks for technical merit were far more divided. One of the eccentricities of the dismal sport of Budget skating on thin ice is that the judges are extravagantly partial to their marking of their own skates. It makes one wonder whether economic skating ought to be considered a serious, objective sport. The Chancellor himself described his Budget several times as a Budget for Jobs, smacking the words as if they were delicious with a squirt of lemon and black pepper.

The Leader of the Opposition, who as usual came on after the Chancellor's figures to perform a short, freestyle routine, observed unkindly that Conservative Chancellors always described their performances as Budgets for Jobs, and that they always produced a remorseless increase in unemployment.

But he approved of the Chancellor's radical split of national insurance contributions to encourage the employment of the young and unskilled, and claimed that he had cribbed the routine from the last Labour Party manifesto.

Overall, he did not hold up high marks for content or technical merit. The impartial view was that the Chancellor had performed well, within inevitably modest limits, and had, as usual, introduced some surprises into his performance. He has dropped some of his arrogance in the Paso Doble economic background section, though he can still contrive to give the impression that he knows more about it than anybody else.

He had some interesting new music in the slow section, when he used Mars the Bringer of War from Holst's *Planets* to describe the heavy cost of the coal strike and the export of inflation from the United States. But he used Jupiter the Bringer of Jollity from the same Suite to allegro effect in his fast section, when he showed that he had never considered VAT on books, but that he had been pleased to have speculation concentrated on that, so that his VAT leap into newspaper advertising should take them by surprise.

Betty Thatcher, the famous trainer of the monetarist skating pair Lawson and Rees, sat between her boys, looking confident as usual in grey suit, mottled blouse, two rows of pearls, and head-mistressly expression. Rees is, in fact, the more colourful of the two dancers, with red face and white handkerchief in his pocket. But they would make it prettier as a spectacle if they would adopt the magenta laces and orange jabots of their counterparts in ice dancing.

Probably the most impressive new routine this year was the Chancellor's double salchow that there was a strong case for change to a new system of personal allowances treating men and women the same. That would have a revolutionary and equitable effect on the tax system; and could have remarkable effects on economic dancing, if the woman had to wind the man around her body like a cape while hurtling into PAYE, as well as the man doing it to the woman.

In his judge's marks afterwards, Mr Kincock said that the Chancellor was travelling in circles and sinking all the time. He may have been thinking of his final sit spin, but it is clearly against the rules for the dancer actually to sink through the ice.

Mr Lawson's performance had its customary joke. He led the audience up the ice path about a possible VAT on pension funds, and then did a flying split jump away, by announcing he had no such intentions.

They are going to have to do something to curb the economic dancing hooligans. The Member for Falkirk West, who danced his own amateur Budget Bill just before the Chancellor, pretended to take a sip from the stars' prop of white wine and scherzo on his way to present his Bill to the Table, and clapped Mr Lawson on the shoulder. The Chancellor then went into his lutes and spins with a determination that suggested he is going to be out there competing for some years yet.